

UNIVERSITY *of*  
TASMANIA

An abductive study of social innovation in  
nonprofit organizations: Evidence from the  
Australian disability sector

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BA (International Studies), BTeach (Hons)

Submitted in fulfilment of the requirements for the degree of  
Doctor of Philosophy

University of Tasmania

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**Statement of ethical conduct**

The research associated with this thesis was approved by the Tasmanian Social Sciences Human Research Ethics Committee (HREC), in which the HREC project number was H0015189. The 'Ethics Final Report' was approved by the HREC on 18th September 2017, following the completion of all data collection activities.

The research associated with this thesis abides by the international and Australian codes on human and animal experimentation, the guidelines by the Australian Government's Office of the Gene Technology Regulator and the rulings of the Safety, Ethics and Institutional Biosafety Committees of the University.

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# Abstract

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As an exploration into the nascent topic of ‘social innovation’, this thesis builds upon recent transformations in management scholarship to argue for a reconnection of research to real-world relevance. It showcases an impactful research design based on logical steps of inquiry that closely entwine practical and theoretical realities.

Social innovation, briefly defined as a novel solution that addresses a social problem and primarily accrues societal benefits, is an emerging concept. Although practitioners from different sectors have long engaged in this practice-led phenomenon, academic research has not kept pace and significant gaps in knowledge remain. Consequently, the social innovation literature is ‘pre-theoretical’, with contested conceptualizations and a lack of empirical evidence for how social innovations are developed in different contexts and the impacts they generate.

This thesis addresses these shortfalls by drawing on abductive logics of inquiry, complexity theorizing, and set-theoretic analytical methods to build practice-theory links that provide a novel route forward for the study and practice of social innovation. Using the Australian disability sector as an illustrative example and embedding this context in the research design, the aim of this thesis is to explore organizational capabilities for social innovation and the outcomes of social innovation in nonprofit organizations (NPOs) as part of developing a theory of social innovation in NPOs. The Australian disability sector is undergoing a significant structural shift with the introduction of the National Disability Insurance Scheme, which potentially intensifies the need for social innovation.

An ‘abduction’ process is employed in the first phase of a two-phase project. Abduction is a method of inquiry for finding new knowledge, particularly for poorly-understood topics, and involves actively studying the phenomenon at close range. This entailed two months of embedded fieldwork, termed ‘researcher-in-residences’, at two disability NPOs. Semi-structured interviews were conducted with 52 individuals, including managers, staff and clients of NPOs, and daily observational notes were recorded. Integral to this initial phase of inquiry, complexity theorizing was used to combine complementary theoretical viewpoints to develop the concept of Nonprofit Social Innovation (NSI). This is defined as innovative services and processes that promote the broader community’s inclusion of people with disabilities. Five capabilities are hypothesized to be pivotal for the development of NSIs. The societal outcomes flowing from them is further theorized to depend upon multi-leveled enabling conditions.

To test these suppositions, a second phase of inquiry was conducted involving a survey of all disability NPOs in the Australian disability sector. The survey received 308 responses from CEOs and senior managers, representing a 42% response rate. Using fuzzy-set Qualitative Comparative Analysis (QCA), the results reveal several combinations of organizational capabilities used by these organizations to develop NSIs. These combinations vary according to organizational size and geographical location. The QCA analyses also highlight the



importance of collaborative conditions for successful NSI implementation. However, the analyses found that collaboration must be combined with either ‘person-focused’ approaches or a ‘risk tolerant environment’ in order to attain high levels of societal benefits. To verify and gain a more in-depth understanding of the QCA findings, 14 additional semi-structured interviews were subsequently carried out with CEOs who participated in the survey.

This thesis makes a number of contributions to the theory and practice of social innovation. The first phase of this study formulates an NSI framework that deepens our understanding of how various actors and mechanisms are influential in driving social innovation within NPOs. The second phase tests and builds upon the initial theoretical construct to reveal the systemic dynamics of NSI through the configurational analysis of NPOs at a whole-of-sector level. Identifying the complex causal dynamics of social innovation, the findings in this thesis culminate not in theory as edifice, but as ‘theories in practice’ that incorporate non-linear pathways to social innovation. This new knowledge has meaningful implications for both management scholarship and NPO managers as they work towards social change.

## Introduction

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This study explores the emerging phenomenon of social innovation within the context of nonprofit organizations (NPOs), with the focus on how NPOs develop and implement social innovations. Social innovation – which has been recognized as a practice-led domain (Taylor, Torugsa, & Arundel, 2018) – can be broadly defined as a service and/or process that contributes to generating a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions, and for which the value created primarily benefits society as a whole (Phills, Deiglmeier, & Miller, 2008). Despite gaining immense popularity and being viewed as a potential mechanism for addressing complex or wicked problems, academic research on social innovation has failed to establish a coherent conceptual foothold or strong empirical grounding (Ayob, Teasdale, & Fagan, 2016; Phillips, Lee, Ghobadian, O'Regan, & James, 2014). This is evidenced by a dearth of systematic analysis of the organizational capabilities, outcomes and theories associated with this phenomenon (Howaldt & Schwarz, 2017). Within the nonprofit sector, social innovation is considered a nascent area of research that has yet to mark out its own theoretical territory (Berzin, Pitt-Catsouphes, & Gaitan-Rossi, 2015; Taylor et al., 2018).

To overcome the hurdles presented by this pre-theoretical domain, this study undertakes a context-driven inquiry that explores interlinked practice-theory questions, and employs a multi-staged research design to ensure that experiential knowledge and scholarly understandings are advanced hand-in-hand. The distinctive features of this study's research design include: (1) employing 'abduction' (Peirce, 1955; Svennevig, 2001) as the primary method of inquiry for discovering new knowledge of social innovation within organizational contexts; (2) complexity theorizing (Byrne, 2005) for interpreting the complex, multiple

realities of social innovation; and (3) using set-theoretic methods grounded in complexity theory (Ragin, 2000; Woodside, 2014) to determine social innovation's patterns of emergence at a broader systems (i.e. sectoral) level.

The critical role of context permeates and informs each of these methodological aspects of the study. This is deemed vital to ensure that the research can capture the complexity of social change processes manifesting in social innovation's contextualized expressions (Goldstein, Hazy, & Silberstang, 2010; Westley, Antadze, Riddell, Robinson, & Geobey, 2014). Thus, this study uses the Australian disability sector as an illustrative example and embeds this context in the research design, where the aim is to explore organizational capabilities for social innovation and the outcomes of social innovation in nonprofit organizations (NPOs) as part of developing a theory of social innovation in NPOs. The Australian disability sector is specifically chosen as the context for the study due to the recent introduction of the National Disability Insurance Scheme (NDIS). Considered the most significant social reform in Australia for over 40 years (Connellan, 2014; Goggin & Wadiwel, 2014), the arrival of the NDIS is expected to increase the need and potential for socially innovative responses by NPOs in the sector (Green & Mears, 2014).

To explore social innovation in the context of disability NPOs, the study's research design incorporates two broad phases. An 'abduction' process is employed in Phase 1, where embedded fieldwork (termed researcher-in-residences) were conducted at two disability NPOs. While 'residing' for one month full-time at each NPO, the researcher conducted 52 semi-structured interviews with NPO managers, staff, and clients, and recorded daily field observations. This close-range investigation of NPO-based social innovation employed abductive reasoning and a complexity theory lens to decipher the organizational capabilities and enabling conditions harnessed by these organizations as they develop and implement social innovations. The Phase 1 findings were used to develop the conceptual framework of

*Nonprofit Social Innovation (NSI)*, defined as socially innovative services and processes, enacted specifically in disability NPO contexts, that promote the broader community's inclusion of people with disabilities and thereby have the potential to achieve system-level (not just organizational-level) impacts. Following a deliberate oscillation between practical and theoretical observations from Phase 1, a number of testable explanatory hypotheses were derived and were verified via the Phase 2 empirical testing.

Phase 2 adopted a whole-of-sector lens to empirically test the NSI framework and the abductively derived hypotheses via a survey. This phase investigates the various configurational patterns (i.e. different combinations of elements from the NSI framework) utilized by the 308 participating NPOs, which represent 42% of all NPOs operating in the Australian disability sector. Fuzzy-set Qualitative Comparative Analysis (QCA) was used to analyze the survey responses. To gain a more in-depth understanding of the QCA findings, Phase 2 also included 14 additional semi-structured interviews with CEOs who participated in the survey.

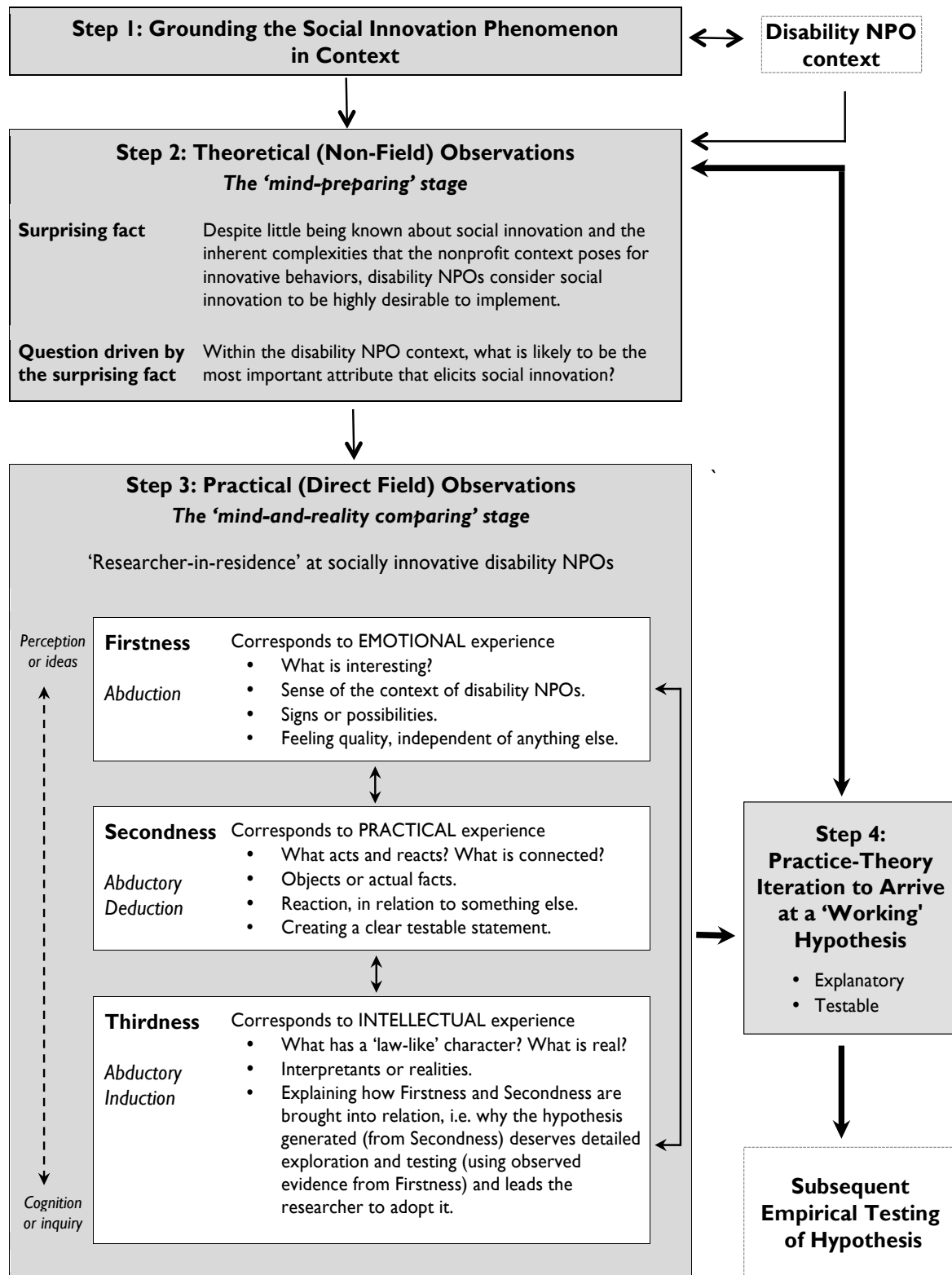
Through the culmination of these sequential phases of data collection and practice-theory bridging, this study develops several theories-in-practice (Argyris & Schön, 1974). These theories convey the interactivity of causal mechanisms leading to social innovation by NPOs, taking into account their sensitivity to initial conditions; or in other words, the importance of local contexts and the complex nature of this phenomenon is brought front and center. By developing a systemic understanding of such a perplexing phenomenon through a rigorous research design, this study revitalizes theories to better capture the contingent and asymmetrical trajectories of NPO-based social innovation. These theories-in-practice also outline change-oriented solutions for managers who are working to address complex social challenges, in particular systemic social exclusion experienced by people with disabilities in Australian society. Lastly, this study holds implications for policymakers by highlighting

sector-wide patterns of social innovation practices across the Australian disability sector, and providing evidence for enabling governments to better support and foster social innovation.

### **Thesis overview**

As mentioned above, the aim of this thesis is to explore organizational capabilities for social innovation and the outcomes of social innovation in NPOs as part of developing a theory of social innovation in NPOs, using the Australian disability sector to contextualize this exploration. This thesis embeds abductive logic in methodological framing (see Figure 1), and contains a combination of peer-reviewed publications, articles undergoing peer-review, and a conventional chapter. For consistency and clarity, henceforth the term ‘chapter’ is used to refer to all papers, whether published or unpublished, throughout the remaining sections of this Introduction.

The thesis consists of six interlinked chapters (see Table 1). In brief, Chapter 1 provides a rationale for embedding context and abductive logic in the design of research on social innovation in organizations. Chapter 2 involves theoretical observations (through a complexity theory lens) of the social innovation phenomenon in the context of disability NPOs. Chapter 3 details the ‘abduction’ methodological process used in this thesis. Chapter 4 presents the Phase 1 results of practical (direct field) observations and involves a practice-theory iteration to arrive at working hypotheses that deserve further exploration and testing. Chapter 5 presents the Phase 2 results of fuzzy-set QCA analyses aimed at testing and verifying the working hypotheses derived from Chapter 4. Chapter 6, which is the only conventional chapter of this thesis, discusses the pattern of empirical results observed in both Phases 1 and 2 to develop theories-in-practice for NPO-based social innovation, and draws out implications for managerial practice, research design and policy. More details on each of the six chapters and how they are sequentially linked are provided in this section.



**Figure 1: The 'abduction' methodological process used in this thesis**

Note: This four-step abduction framework is described in detail in Chapter 3. This chapter was published in *Nonprofit and Voluntary Sector Quarterly* (Taylor et al., 2018).

**Table 1: Overview of the chapters that form the thesis**

| Chapter type     | Chapter aims                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Steps of the abduction process in Figure 1                                                                         | Publication status and/or conference presentations                                                                                                                                                                                                                                                                         |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chapter 1</b> | <p>Rationale for embedding context in research design: Scoping review of empirical research.</p> <ul style="list-style-type: none"> <li>• Advances current thinking on why and how research on social innovation by organizations can be empirically grounded in ways that make research intellectually relevant and meaningful for practice.</li> <li>• Reviews and synthesizes empirical studies on organizational social innovation published between 1998 and 2015.</li> <li>• Makes problem-based observations of the social innovation field.</li> <li>• Identifies three ways forward for generating meaningful research discoveries, including: using abduction as the primary method of reasoning (links to Chapters 3 and 4); adopting a complexity theory lens (links to Chapters 2, 4 and 5); and using set-theoretic methods, e.g. QCA (links to Chapter 5).</li> </ul> | Step 1: Grounding the social innovation phenomenon in context.                                                     | <ul style="list-style-type: none"> <li>• Awarded Best Paper in the Public Sector Management and Not-for-Profit Stream at the 30th Australian and New Zealand Academy of Management (ANZAM) conference in 2016</li> <li>• Currently under review by <i>International Studies of Management and Organization</i>.</li> </ul> |
| <b>Chapter 2</b> | <p>Theoretical: Contextualization of the study based on complexity theorizing.</p> <ul style="list-style-type: none"> <li>• Provides background on the study context by making observations of existing theoretical knowledge.</li> <li>• Complexity theorizing to appraise plausible theories that can explain social innovation in the context of NPOs operating in the Australian disability sector.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Step 2: Theoretical (non-field) observations in the Australian disability NPO context: the ‘mind-preparing’ stage. | <ul style="list-style-type: none"> <li>• Accepted for publication as a book chapter in <i>Handbook of Research on Contemporary Approaches in Management and Organizational Strategy</i>, to be published by IGI Global in late 2018.</li> </ul>                                                                            |
| <b>Chapter 3</b> | <p>Methodological: Abduction process.</p> <ul style="list-style-type: none"> <li>• Describes the abduction process in detail, i.e. the in-built steps.</li> <li>• Justifies the use of abductive reasoning for connecting research to real-world relevance, and for discovering new knowledge of the nascent phenomenon of social innovation in disability NPOs.</li> <li>• Compares abduction with other methods of reasoning (induction and deduction).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                 | All the four steps shown in Figure 1.                                                                              | <ul style="list-style-type: none"> <li>• Published in <i>Nonprofit and Voluntary Sector Quarterly</i> in 2018 (vol. 47, issue 1).</li> </ul>                                                                                                                                                                               |

| Chapter type     | Chapter aims                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Steps of the abduction process in Figure 1                                                                                                                              | Publication status and/or conference presentations                                                                                                                                                                                 |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chapter 4</b> | <p>Empirical (Phase 1): Organizational case studies using qualitative methods.</p> <ul style="list-style-type: none"> <li>• Researcher-in-residence case studies based on two disability NPOs.</li> <li>• Embeds the organizational problem inside disability NPOs.</li> <li>• Compares practical (experience-driven) observations with theoretical knowledge observed in Chapter 2.</li> <li>• Develops the conceptual framework of Nonprofit Social Innovation (NSI), and forms testable explanatory hypotheses.</li> </ul>   | <p>Step 3: Practical (direct field) observations: the ‘mind-and-reality comparing’ stage.</p> <p>Step 4: Practice-theory iteration to arrive at working hypotheses.</p> | <ul style="list-style-type: none"> <li>• Currently under review by <i>Nonprofit and Voluntary Sector Quarterly</i>.</li> </ul>                                                                                                     |
| <b>Chapter 5</b> | <p>Empirical (Phase 2): Sector-wide study using mixed methods.</p> <ul style="list-style-type: none"> <li>• Tests the NSI framework put forward in Chapter 4, and verifies abductively-derived hypotheses.</li> <li>• Investigates NPO-based social innovation based on survey responses from 308 NPOs in the Australian disability sector, and semi-structured interviews with 14 CEOs.</li> <li>• Uses fuzzy-set QCA to identify the different combinations of factors that lead to NSI in different NPO contexts.</li> </ul> | <p>Subsequent empirical testing of working hypotheses derived from Step 4 of the abduction process.</p>                                                                 | <ul style="list-style-type: none"> <li>• Presented at the 9th International Social Innovation Research Conference (ISIRC) in 2017.</li> <li>• Currently under review by the <i>Group &amp; Organization Management</i>.</li> </ul> |
| <b>Chapter 6</b> | <p>Final discussion and conclusions.</p> <ul style="list-style-type: none"> <li>• Draws together the study’s interlinked logical steps of inquiry.</li> <li>• Describes the patterns of the Phase 1 and 2 results and develops theories-in-practice for NPO-based social innovation.</li> <li>• Considers the study’s contributions to theory advancement, managerial practice, research design, and policy.</li> <li>• Outlines the study limitations and directions for future research.</li> </ul>                           | <p>The final ‘takeaway’ of abduction: holistic explanations derived from close practice-theory bridging.</p>                                                            | <ul style="list-style-type: none"> <li>• N/A: The conventional chapter that forms the discussion and conclusions of this thesis.</li> </ul>                                                                                        |



## *Chapter 1*

The opening chapter provides a scoping review of empirical studies on organizational social innovation from 1998-2015. As a method for mapping studies in a nascent and poorly-understood topic area (Arksey, & O'Malley, 2005; Mays, Roberts, & Popay, 2001), the scoping review evaluates the overall state of research activities in the social innovation field, including the dominant research methods and modes of theory construction. This chapter establishes social innovation's pre-theoretical standing and contextually heterogeneous applications in practical terms. It makes five problem-based observations concerning the problems/challenges facing research on social innovation. These include: (1) how best to combine complementary capabilities for social innovation remains unclear; (2) context-specificity is a vital, yet overlooked, piece of the puzzle; (3) modelling linear pathways fails to capture 'equifinal' and complex dynamics; (4) there is a need to move beyond vantages of pre-theory or singular theory; (5) inductive and deductive reasoning undermines empirical discovery and theory-building. Based on the five observations, three ways forward for developing a holistic and impactful agenda for empirical research on social innovation within organizations are presented, including: using abduction as the logic of discovery, adopting complexity theory, and using set-theoretic methods to reflect multiple realities. Chapter 1 therefore serves as the abductive 'starting point' (Patakorpi & Ahvenainen, 2009) and provides a rationale for the research design utilized in this study.

## *Chapter 2*

Chapter 2 is a literature review that serves two important functions: first, it contextualizes this study's investigation into social innovation by NPOs operating in the Australian disability sector; and second, it outlines a plausible theoretical basis for the study going forward based on a process of complexity theorizing. Adopting a complexity theory lens, the chapter

holistically interprets the potential forces propelling social innovation within disability NPO contexts. The National Disability Insurance Scheme (NDIS) policy is viewed as compelling these organizations to grapple with rapid states of change occurring across nested scales of the system, forcing NPOs to operate ‘at the edge of chaos’ (Burnes, 2005; Goldstein, Hazy, & Silberstang, 2010). Through complexity theorizing, this chapter blends together multiple theoretical perspectives to explain these interrelated forces, including institutional theory (DiMaggio & Powell, 1983), resource dependence theory (Pfeffer & Salancik, 2003), and user innovation theory (von Hippel, 1986; 2005). It is predicted that a focus on organization-level adaptability will be the most pressing goal for NPOs in this context, and will form the basis of their social innovation objectives.

As abduction involves a deep appreciation of the particularities of specific situations (Kovács & Spen, 2005), this chapter importantly serves to contextualize this abductive study. Chapter 2 also establishes the researcher’s ‘prepared mind’ prior to undertaking the subsequent data collection phases, which is a critical step. This is due to the close entwinement of theoretical knowledge *together with* direct experience (Peirce, 1955) through which abduction can ultimately fulfil its promise of impactful practice-theory building.

### *Chapter 3*

This methodological chapter describes the ‘abduction’ process used in this study. Abduction is a method of inquiry that is distinct from, yet complements, the methods of deduction and induction (Svennevig, 2001). This chapter discusses the role of abduction as a methodological tool for discovering new practical knowledge of nascent-but-vital phenomena. It uses social innovation by disability NPOs as an example of research employing an abduction-based methodology. Specifically, it details a four-step abduction process, as presented in Figure 1. As the methodological chapter of this thesis, Chapter 3 not

only provides an in-depth explanation of abduction as a method of inquiry; it also critically justifies its innate value. The overarching argument put forward is that the dominant logics of induction and deduction may impede progress when it comes to developing theories about poorly-understood phenomena. The ‘bottom line’ of abduction is to provide a foundation for theories that can make a better and more accurate sense of reality.

#### *Chapter 4*

An empirical investigation based at two disability NPOs is presented in this chapter. It explores how social innovations are developed and implemented within these organizational contexts, specifically in relation to the capabilities for, and outcomes of, social innovation. In accordance with the abductive methodology outlined in Chapter 3, data collection involved researcher-in-residences within the physical realm of disability NPOs over a period of two months. This involved the researcher directly observing, participating in, and ‘sensing’ (Mintzberg, 1979) the spontaneous unfolding of organizational life. Data from 52 in-depth interviews and observational notes were collected and analyzed using Leximancer concept-mapping and thematic coding.

The abduction-based analysis involves “an iterative but nonrecursive process of inserting, revising, and reconnecting theoretical ideas in the mind of the researcher as they move between a model world and an empirical world in an attempt to untangle and put pieces back together” (Taylor et al., 2018, p. 213). Through these ‘mind-and-reality comparing’ and ‘practice-theory iteration’ stages (Steps 3 and 4 in Figure 1), many capabilities used by disability NPOs on the path to social innovation development were identified. The complex interplay of these capabilities forms five *Pivotal Capabilities* (i.e. transformational empathy, place-based relationing, diversity learning, paradoxical change-making, and complexity leadership). Interestingly, the theories underlying these pivotal capabilities go beyond the

three theories initially predicted in Chapter 2 (i.e. ‘resource dependence’, ‘institutional’, and ‘user innovation’ theories). The analysis results lead to the discovery of the concept of *Nonprofit Social Innovation (NSI)*, a social innovation enacted specifically within the context of disability NPOs and whose principal outcome is to contribute to social change by altering community-level and/or societal structures that perpetuate social exclusion. Stemming from the NSI framework, the following four working hypotheses are generated:

- **Hypothesis 1:** The pivotal capabilities could lead to NSI development.
- **Hypothesis 2:** Not all the five pivotal capabilities may be required for NSI, and the choice of which pivotal capabilities to deploy is likely to depend on the specificity of organizational and environmental contexts.
- **Hypothesis 3:** Successful NSI development is anticipated to be a mechanism by which organizations may alter broader community and societal structures and thus contribute to social change.
- **Hypothesis 4:** Certain enabling conditions may strengthen the potential for an NSI to generate high levels of beneficial outcomes in terms of promoting social change at community and/or societal scales.

Notably, the above abductively-derived four working hypotheses are seen as explanations of the phenomenon of social innovation in disability NPO contexts, which are held as ‘hopeful suggestions’. These hypotheses need to be verified through subsequent empirical testing, with doing so in Chapter 5.

## *Chapter 5*

This chapter involves a mixed methods investigation that tests and verifies the abductively-derived hypotheses generated through the organizational case studies in Chapter 4. A survey instrument was developed based on the NSI framework and was cognitively tested with 16

CEOs or senior managers within the disability nonprofit sector. The survey was sent to all 735 NPOs operating in the Australian disability sector. A total of 308 survey responses were received (42% of the total population), and the data were analysed using fuzzy-set Qualitative Comparative Analysis (QCA). The study tests two QCA models, one for high-level NSI and the other for high-level outcomes of NSI. The first QCA model identifies four ‘recipes’, each containing combinations of multiple organizational capabilities and contextual factors, that shape how disability NPOs develop social innovations. The recipes vary according to organizational size (large and small) and location (metropolitan and regional/remote). In order for NPOs to implement their social innovations successfully and attain high societal benefits, the second QCA model uncovered the interactivity of ‘systemic’, ‘personalized’, and ‘risk-focused’ enabling conditions. Following the survey, 14 semi-structured interviews with CEOs who participated in the survey were conducted via telephone to attain in-depth insights to further clarify the QCA results.

Through the use of combined survey and interview data to facilitate interpretation of the QCA results, Chapter 5 highlights the contextualized and nonlinear expressions of NSI. It reveals distinct patterns of emergence by recognizing that there is no single approach that can suffice for all contexts. Some organizations were found to espouse socially innovative agency that contributed to social inclusion within local and/or broader (societal) spheres. That said, enabling conditions focusing on collaboration, in combination with *either* personalized approaches *or* a risk tolerant environment, are necessary ingredients for these organizations to successfully orchestrate NSI implementation that can lead to high-level outcomes.

## *Chapter 6*

This final chapter is the overarching ‘discussion and conclusions’ chapter for the thesis. It draws together the sequential ‘abduction-based’ conceptualization and findings from the five

previous chapters, with the purpose of formulating ‘theories-in-practice’ (Argyris & Schön, 1974). The abduction process and complexity-based configurational thinking leads to the development of several theories-in-practice that gives practitioners with knowledge into how their NPO (taking into account their localized conditions and constraints) could deploy capabilities to develop an NSI and what enabling conditions are required to bolster the societal impacts or outcomes of the NSI.

In addition, Chapter 6 articulates the theoretical, practical, policy-related, and research design implications arising from this thesis, as well as discusses the study’s limitations and future research directions. Overall, the novel contributions of this study lie in its unlocking of social innovation’s diverse and multifaceted trajectories as they emerge across heterogeneous NPO contexts. By putting forward new theories-in-practice, this study is able to integrate the specificity and nuance of local conditions, yet at the same time these explanations are related to the complex whole of the system and not to its component parts. Such theories contrast with reductionist approaches to research design and analysis that deny difference or purport to find linearity and stability. Importantly, this study’s findings intend to assist managers in organizational contexts to better grapple with and harness NSI’s emergent possibilities. At the same time, the research provides evidence for governments to shape public policy that can more accurately support and sustain NPO-based social innovation, particularly in context-responsive ways.

### **Summary conclusion**

Through its six chapters that link together abduction, complexity theory, and set-theoretic methods, this study investigates NPO-based social innovation in terms of patterns, systems, and contextualized outlooks. The holistic research design demonstrates how new insights about a vital yet poorly understood phenomenon can be explored through abductivist logic,

and how these emerging explanations can then be deepened through theorizing processes and methods of analysis that are capable of responding to the complexity of the social world.

Positioned in an era of transformed management scholarship (Birkinshaw, Healey, Suddaby, & Weber, 2014), this study takes a small but important step in steering social innovation research in a potentially fruitful new direction. Just as critically, at a time when major social challenges (often termed ‘wicked problems’) are not adequately solved by existing approaches, this study offers novel solutions for NPO managers and their teams as they strive to develop and implement social innovations that can achieve lasting impact.

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## Chapter 1

### **Transformed management scholarship and ways forward for exploring social innovation in organizations**

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This chapter is currently under review by the journal, *International Studies of Management and Organization*.

This is a full version of the paper entitled, 'Exploring a Pre-Theoretical Management Phenomenon: Promising Ways Forward for Researching Social Innovation in Organisations', which was presented and awarded 'Best Paper - Public Sector Management and Not-for-Profit Stream' at the 30th Australian and New Zealand Academy of Management (ANZAM) conference in December 2016.

Chapter 1 has been removed  
for copyright or proprietary  
reasons.

## Chapter 2

### **Thriving within the turbulence: A complexity theorizing approach to social innovation by nonprofit organizations**

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This chapter has been accepted for publication as a book chapter in *Handbook of Research on Contemporary Approaches in Management and Organizational Strategy*, to be published by IGI Global in late 2018.

Chapter 2 has been removed for copyright or proprietary reasons.

## Chapter 3

### **Leaping into real-world relevance: An ‘abduction’ process for nonprofit research**

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#### **3.1 Abstract**

Positioned in the midst of the heated debate about the production of relevant and usable knowledge for practitioners in the nonprofit sector and a serious shortage of high-impact research that speaks to practice, the purpose of this Research Note is to direct nonprofit scholarship towards embracing ‘abduction’, which is the initial creative stage in scientific inquiry that facilitates the formulation of testable explanatory hypotheses and makes new discoveries in a sensory and logically-structured way. We use an emerging interest in social innovation by the nonprofit sector as an illustrative example to show the advantages of using abductive reasoning as the primary method of reasoning for discovering new knowledge of a nascent-but-vital phenomenon. The novel contribution of this Research Note lies in encouraging scholarship on the nonprofit sector to an applied ‘practice-led’ research process that is intellectually relevant and has the potential to bridge the scholar-practice divide.

#### **3.2 Introduction**

As the field of nonprofit studies seeks to enhance its impact and relevance within the fast-changing world of nonprofit organizations (NPOs), there is much to be gained and very little

to lose by reigniting and deepening its ties to practice. The ways that nonprofit research can meaningfully connect with practice are manifold: by advancing theoretical understandings and uncovering new trajectories for policy making and leadership which addresses the broad-level systemic challenges faced by the sector; by supplying useful evidence and explanations to support practitioners within organizations so they can better understand and respond to locally occurring events that may otherwise seem inexplicable or insurmountable (Harris, 2015); and in turn, the domain of scholarship can learn from practitioners who are actively improving social systems and whose perspectives are vital to developing the field as a whole. While influencing concrete and instrumental change in the ‘real world’ of practice may not be realizable with every research endeavor, scholars of nonprofit organizations should not underestimate the potential for research to “manufacture both greater understanding and better realities” (Starbuck, 2004, p. 1250).

With these possibilities in mind, the production of relevant and usable knowledge for practitioners has been a foremost concern of research on NPOs, creating a fundamental tension between scholarship and practice (Bushouse & Sowa, 2012). This tension was raised and addressed in a 2000 *Nonprofit and Voluntary Sector Quarterly* (NVSQ) symposium entitled “Authority, Legitimacy, Voice, and the Scholar-Practice Question”, where its key goal was to reduce the divide between scholars and practitioners. Feeney (2000, p. 7) referred to this divide as “a ‘sandbox problem’ in which academics are smart and practitioners are not, where practitioners live in the real world and academics do not, and where theory is reified to the exclusion of practice, or practice is reified to the exclusion of theory”. The symposium’s reframing and repositioning of the scholar-practice question should have resulted in a significant boost in innovative, high-impact, and pragmatic research of relevance to the nonprofit sector, but this did not occur. In their examination of 408 articles published in NVSQ from 2000 to 2010, Bushouse and Sowa (2012) found that only 23% provide findings

of relevance to practitioners. This suggests that scholars of the nonprofit sector have not yet made sufficient progress towards generating meaningful research discoveries that contribute positively to practice. This is arguably due in part to the core methods of reasoning and logical inquiry in use by nonprofit scholars; that is, the process of using existing knowledge to make predictions, construct explanations, and draw conclusions. Rethinking such ‘logical inquiry’ methods forms the basis of this Research Note.

In the realm of nonprofit studies, we argue that a shortage of research that is not only intellectually stimulating but also potentially beneficial to practice is partly a result of the dominant reliance of scholarship on inductive and deductive reasoning<sup>1</sup>, while largely ignoring ‘abduction’—a method of reasoning for finding new knowledge, developed by the American philosopher Charles Sanders Peirce (1955) and recognized by Hanson (1958) as the logic of discovery. Peirce focuses on abduction as an initial creative stage in scientific inquiry, where researchers begin with closely observed ‘surprising facts’ driven by a vital yet poorly-understood phenomenon, comparing these facts to the existing body of theoretical knowledge, and proposing new hypotheses that are empirically testable and practically explainable (Hanson, 1958; Khachab, 2013). For researchers using abduction, it involves a deliberate and iterative process between actively studying the phenomenon at close-range and thoughtful theory development via a framebreaking mode of thinking whereby the researcher is receptive to divergent ways of understanding. These processes coalesce in the ‘creative leap’ which lies at the heart of abduction and which has been attributed to many pioneering scientific discoveries, as “...advances in science are often achieved through an intuitive leap that comes forth as a whole” (Kovács & Spens, 2005, p. 136).

The purpose of this Research Note is to direct future nonprofit research towards embracing abduction as the primary method of reasoning for discovering new knowledge for ‘ill-defined’ problems and to explicate its implications for methodology. In this Research

Note, we use social innovation as an illustrative example to show how the process of an abductive logic can improve the understanding of a phenomenon. We select social innovation for three reasons. First, social innovation is a nascent area of research within the nonprofit sector (Jessop, Moulaert, Hulgard, & Hamdouch, 2013) that has yet to mark out its own theoretical territory. Second, despite the haziness surrounding the concept, social innovation has gained immense popularity and is recognized as a potential mechanism for addressing complex or wicked social problems (Mulgan, 2006; Pol & Ville, 2009). Finally, the intrinsically practice-led nature of social innovation points to the need for scholars to closely observe and carefully diagnose the phenomenon in its socio-cultural contexts in order to avoid errors in interpretation (Nicholls & Murdock, 2012; Westley, Antadze, Riddell, Robinson & Geobey, 2014). As researchers attempting to make sense of this pre-theoretical phenomenon, which is seen to be full of promise and yet also highly elusive and contextually-derived, we argue that abduction is the most promising logic for producing knowledge that can more accurately capture the reality of social innovation in the nonprofit sector and thereby advance nonprofit scholarship.

### **3.3 Abduction: A promising logic for bridging the scholar-practice divide**

In his 1903 Harvard Lectures on Pragmatism, Peirce (1997, p. 230) made a crucial statement concerning the starting point of any scientific inquiry: “If we are ever to learn anything or to understand phenomena at all it must be by abduction that this is to be brought about.”

Abduction is a method of reasoning for finding new knowledge that differs from, but complements, the traditional modes of deduction and induction (Svennevig, 2001). Table 3.1 gives a detailed comparison of these three ‘logical inquiry’ modes that provide the foundations for the methodologies of research<sup>2</sup>.

**Table 3.1: A comparison of methods of reasoning**

|                               | <b>Abduction*</b>                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Deduction</b>                                                                                                                                                                                                                | <b>Induction</b>                                                                                                                                                                                                                    |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Aim</b>                    | Creating a testable hypothesis that best explains the surprising phenomenon.                                                                                                                                                                                                                                                                                                                                                             | Evaluating a theory-driven hypothesis.                                                                                                                                                                                          | Justifying a hypothesis with empirical data.                                                                                                                                                                                        |
| <b>Driver</b>                 | Surprising phenomenon (surprising fact)                                                                                                                                                                                                                                                                                                                                                                                                  | Existing theory                                                                                                                                                                                                                 | Existing phenomenon (specific fact)                                                                                                                                                                                                 |
| <b>Logic</b>                  | Beginning with an incomplete set of observations of the surprising phenomenon and proceeding to the best explanation for the set. The logical process relies on creative imagination with minds furnished with the existing body of knowledge.                                                                                                                                                                                           | Beginning with the assertion of a general rule and proceeding to a specific outcome.                                                                                                                                            | Beginning with an observation that is specific and limited in scope and proceeding to a general rule.                                                                                                                               |
| <b>Example</b>                | <p>Result <math>\rightarrow</math> Rule (theory) <math>\rightarrow</math> Case (hypothesis)</p> <p>Result: We observe a surprising fact that some beans are all white.</p> <p>Rule: We know that all the beans in a particular bag are white; and among other explanations (e.g. beans painted white), this explanation is most capable of explaining the surprising fact.</p> <p>Case: The beans may come from this particular bag.</p> | <p>Rule (theory) <math>\rightarrow</math> Case (hypothesis) <math>\rightarrow</math> Result</p> <p>Rule: All beans in this bag are white.</p> <p>Case: These beans are from this bag.</p> <p>Result: These beans are white.</p> | <p>Case (hypothesis) <math>\rightarrow</math> Result <math>\rightarrow</math> Rule (theory)</p> <p>Case: These beans are from this bag.</p> <p>Result: These beans are all white.</p> <p>Rule: All beans in this bag are white.</p> |
| <b>Application</b>            | Suitable for ill-defined problems.                                                                                                                                                                                                                                                                                                                                                                                                       | Suitable for well-defined problems.                                                                                                                                                                                             | Suitable for little-understood problems.                                                                                                                                                                                            |
| <b>Generalizability</b>       | Generalizing from the interactions between the general and the specific.                                                                                                                                                                                                                                                                                                                                                                 | Generalizing from the general to the specific.                                                                                                                                                                                  | Generalizing from the specific to the general.                                                                                                                                                                                      |
| <b>Conclusion</b>             | <p>Conclusion is the best guess (among the alternatives).</p> <ul style="list-style-type: none"> <li>Suggesting that something <i>may</i> be.</li> <li>Facilitating new knowledge discoveries.</li> </ul>                                                                                                                                                                                                                                | <p>Conclusion is guaranteed (true or false).</p> <ul style="list-style-type: none"> <li>Proving that something <i>must</i> be (if the premises are true, the conclusion must also be true).</li> </ul>                          | <p>Conclusion is merely likely.</p> <ul style="list-style-type: none"> <li>Showing that something <i>actually</i> is <i>operative</i>.</li> </ul>                                                                                   |
| <b>Implication for theory</b> | Theory-to-practice building.                                                                                                                                                                                                                                                                                                                                                                                                             | Theory verification/falsification.                                                                                                                                                                                              | Theory building.                                                                                                                                                                                                                    |
| <b>Limitation</b>             | Hypothesis created requires verification through subsequent empirical testing to provide truly meaningful explanations.                                                                                                                                                                                                                                                                                                                  | Incapable of discovering new knowledge as the conclusion has already been embedded in the premise.                                                                                                                              | Offering superficial conclusions but not “the bottom of things” since an observation about the specific establishes a general rule in an incomplete sense.                                                                          |

\*The process of abduction contains three stages: abduction, abductive deduction, and abductive induction (see Figure 3.1 for more detail).



Whereas deduction starts with a general rule (theory) and applies the rule to derive a specific conclusion, and induction starts with a specific case and makes observations of the case to derive a generalized conclusion, abduction proceeds backwards by starting with a result (a surprising fact observed from a particular phenomenon) and hypothesizing something that best explains this surprising fact in light of the (limited) current knowledge base (Khachab, 2013; Svennevig, 2001). Deduction, given its presupposition of the existence of truth and falsity (proving that something *must* be), cannot lead to the discovery of new knowledge since the conclusion has already been embedded in the premise. As Andersen (1973, p. 775) states, “this is a natural corollary – if the premises are true, the conclusion is certain to be true”. In this light, deduction can be applied to well-defined problems, but not to ill-defined problems. The limitation of induction, on the other hand, is that it can only provide incomplete support for a general rule, due to a limited number of observations that are available to test a specific hypothesis. Since there exists no further evidence that might invalidate the hypothesis, induction (especially a single inductive study) can only produce superficial conclusions (showing that something *actually* is *operative*), but not the “bottom of things” (Peirce, 1934/1960, p. 878).

Abduction facilitates new knowledge discoveries through the creation of “working hypotheses” (Frankfurt, 1953, p. 595) based on the practice-theory iteration that “deserve detailed exploration and testing” (Gallie 1952, p. 98) and that, when verified and reconfirmed via subsequent empirical testing, provide “true explanations” (Khachab, 2013, p. 162). By suggesting that something *may* be (Peirce, 1934/1960), abduction produces the kind of daily decision-making that works best with the information at hand, which often is incomplete. A medical diagnosis is a classic application of abductive reasoning (Magnani, 2001), where a medical practitioner tries her best to diagnose a patient based on the presence of incomplete evidence. For example, the patient may be unconscious or fail to report all symptoms, and

thus the doctor needs to make the best guess (among alternative hypotheses) based on the evidence at hand. In order to guess correctly, the doctor must be well equipped with theoretical (i.e. a mind furnished with the existing set of known diagnostic entities) and practical (i.e. firsthand and experiential) knowledge.

As researchers ‘diagnosing’ what are often opaque and complex organizational phenomena, the process of abduction enables researchers to deeply observe the patterns of phenomena, creatively devise various tentative explanations, and thoughtfully ‘abduct’ only those that are most plausible for subsequent empirical testing. Conditions of uncertainty and imperfect information are fundamental characteristics of abduction’s knowledge acquisition process in research – or to use Peirce’s point, researchers are not required to know everything to know something, and the discovery of knowledge results from the interplay between doubts and verifiable beliefs. Unlike inductive and deductive reasoning, abductive reasoning relies on the researcher’s creative-intuitive faculties (Taylor, Fisher & Dufresne, 2002), much like a Sherlock Holmes-esque method of ‘connecting the dots’ (Ginzburg, 1983), whereby “...creativity is necessary to break out of the limitations of deduction and induction, which both are delimited to establish relations between already known constructs” (Kovács & Spens, 2005, p. 136).

An example of the use of abduction in nonprofit research can be seen in a recent study by Dey and Teasdale (2016) of NPOs in the UK. Initially, the researchers had set out to understand how NPO managers resisted the UK government’s increasing push for a socially entrepreneurial nonprofit sector through social enterprise-oriented policies and programs. Unexpectedly, however, their longitudinal case study of the nonprofit organization *Teak* uncovered a surprising behavior of ‘tactical mimicry’. The organization’s managers were ‘acting as’ social entrepreneurs in order to gain access to important resources. This surprising fact came to light through direct field observations carried out by the researchers over

multiple visits to the organization, whereby they made “unexpected observations, and an ensuing process of abductive reasoning” (Dey & Teasdale, 2016, p. 489) eventually resulted in their tactical mimicry hypothesis, the testable hypothesis that best explained the surprising fact. Arriving at this ‘best guess’ is the point at which abduction draws its conclusions (Kovács & Spens, 2005). Such hypotheses are not conclusive however; they can be seen as “explanations of phenomena held as hopeful suggestions” (Peirce 1934/1960, p. 196) that still need to be verified through subsequent empirical (qualitative and/or quantitative) testing.

Broadly speaking, the use of abductive reasoning in research involves gathering observations of practice, careful engagement in practice-theory bridging, and ‘abductively suggesting’ hypotheses which aim at facilitating new knowledge discoveries and developing new theory. In turning our attention to abduction’s internal processes, we next consider the three temporal stages of ‘Firstness’, ‘Secondness’, and ‘Thirdness’ that are driven by emotional, practical, and intellectual experiences and that culminate to fulfill abduction’s logical purpose as the “necessary condition for the truth of pragmatism” (Khachab, 2013, p. 162).

*Connecting the dots: Abduction’s journey from perception (ideas) to cognition (inquiry)*

The integrated elements of abductive reasoning, in which initial sensory and emotional experiences are understood in practical terms and eventually legitimized as intellectually relevant areas of inquiry, occurs over the three stages of Firstness, Secondness, and Thirdness (Atkins, 2006; Khachab, 2013). This three-staged process leads to the transformation of ‘perception’ (idea) into ‘cognition’ (inquiry). Each of these stages fulfills specific functions as follows:

1. The Firstness stage – also called *abduction* – corresponds to emotional experience (what is interesting), such as a sign, possibility or feeling that is independent of

anything else. Firstness aims at appraising or getting a sense of the importance of a given observed fact. According to Mintzberg's (1979) method of 'direct' research, as field researchers we need to get a "... 'sense' of things – how they feel, smell, 'seem'. We need to be 'in touch' ... To miss this in research is to miss the very lifeblood of the organization" (p. 587-588). To illustrate Firstness as it occurred in the *Teak* study described above (Dey & Teasdale, 2016), the researchers gradually sensed there was more to the story of the organization's relationship with the government's social enterprise policies than first supposed, leading them to search for more clues and to delve deeply into issues which "...had initially been kept private" (p. 491).

2. The Secondness stage – called (*abductory*) *deduction* – corresponds to practical experience (what acts and reacts, or what is connected), such as an object, actual fact or reaction in relation to something else. Secondness aims at creating a clear, testable statement or working hypothesis. Secondness applied to the *Teak* study involved the researchers articulating a testable hypothesis that in the UK tactical mimicry is an increasingly widespread strategy used by organizations working in the social realm (Dey & Teasdale, 2016).
3. The Thirdness stage – called (*abductory*) *induction* – corresponds to intellectual experience (what has a 'law-like' character, or what is real) such as an interpretant or reality. Thirdness plays a role as a mediator that explains how Firstness and Secondness are deliberately and logically brought into relation. Generally speaking, this stage gives an explanation for why the working hypothesis deserves detailed study (Atkins, 2006; Khachab, 2013). For the researchers in the *Teak* study, Thirdness involved the tentative grasping of a reality which was that the managers were engaging in highly-calculated implicit behavior that allowed the organization to create social value in a politicized and constrained environment (Dey & Teasdale, 2016).

Discoveries of new knowledge through the abduction process arguably require two essential conditions: the prepared mind filled with theoretical knowledge and direct field observations. Drawing on a famous quote by Louis Pasteur “Chance favors the prepared mind”, grounding discoveries should “not be rushed or taken for granted” (Van de Ven, 2015, p. 2). Rather, researchers need to have a deep appreciation of the existing body of knowledge in the literature with regard to a phenomenon of interest, even if the current knowledge base does not adequately explain the phenomenon (Van de Ven, 2015).

In addition to a prepared mind, the central role of context requires researchers to “get [their] hands dirty and closely observe and study, or even live with, people in organizations” (Birkinshaw, Healey, Suddaby, & Weber, 2014). Getting out into the real world of practice through direct field observations fosters a researcher’s appreciative intimacy with the practical world under study, which in turn promotes the measurement of organizations in ‘real’ organizational terms (Mintzberg, 1979). Researchers adopting an abduction-based practice orientation make use of a multifunctional toolkit of unobtrusive, prolonged, and on-site forms of data collection (i.e. observing activities from residing inside the organizational context). Such methodologies are arguably more suitable for developing a deeper understanding of natural field settings to uncover “how humans think and act in real-life” (Woodside, 2010, p. 406). In conjunction with direct field observations, interviewing a range of stakeholders in situ (at the locality in which they work or receive services) enables direct participation in the research by “those who live and breathe a ‘research field’” (Fox, 2003, p. 86). Their involvement may lead to the emergence of unique perspectives that are bound within specific discursive contexts, eventually revealing the often-tacit systems level mechanisms that are at play within complex contexts such as NPOs (Watson, Wood-Harper & Wood, 1995).

By undertaking an exploration in both a mind-based (theoretical) and physical world (practical) sense, researchers can carefully diagnose a given phenomenon in its context, develop deliberate research propositions that are practically and theoretically meaningful, and minimize the risk of interpretive errors. In this regard, an abductive method of reasoning should be thought of as an iterative, but non-recursive, process of inserting, deleting, revising, and reconnecting theoretical ideas in the mind of the researcher as they move between a model world and an empirical world in an attempt to untangle and put pieces back together.

With abduction's foundational logic and internal processes explained, we next turn to discussing social innovation, a perplexing phenomenon that nonprofit researchers and practitioners alike are seeking to better understand, and for which abduction may offer a constructive way forward.

### **3.4 Social innovation and nonprofit scholarship: The current knowledge base**

#### *Definition and concept of social innovation*

In recent years, social innovation has garnered considerable attention in intellectual and practical discussions as an emerging paradigmatic phenomenon that holds great promise for addressing social problems (Chalmers, 2012; Mulgan 2006). Despite its immense popularity and 'buzzword status', no universally accepted definition of social innovation has evolved (Phillips, Lee, Ghobadian, O'Regan, & James, 2014). Pol and Ville (2009, p. 881) write that "social innovation is a term that almost everyone likes, but nobody is quite sure what it means". Even so, according to a systematic review of the social innovation literature by Phillips et al. (2014), the most widely cited definition of social innovation is that of Phillips, Deiglmeier and Miller (2008, p. 39): "a novel solution [service or process] to a social problem that is more effective, efficient, sustainable or just than existing solutions and for

which the value created accrues primarily to society as a whole rather than private individuals”.

There is a general agreement in the literature that research on social innovation is still in its infancy (Caulier-Grice, Davies, Patrick, & Norman, 2012; Howaldt & Schwarz, 2010), with a fragmented variety of social innovation conceptualizations found across a wide-ranging disciplinary base. The diversity in the streams of the extant social innovation literature has led to the application of various theories to comprehend and gauge its potential for social value creation. These theories include, but are not limited to, the resource-based view (Sanzo-Perez, Alvarez-González, & Rey-García, 2015), organizational theories such as institutional, organizational identity, paradox, and stakeholder theories (Smith, Gonin, & Besharova, 2013), absorptive capacity (Chalmers & Balan-Vnuk, 2012), and critical theories of social exclusion (Byrne, 1999; Moulaert, Martinelli, Swyngedouw, & Gonzalez, 2005).

These multiple theoretical viewpoints, applications, and unique permutations of social innovation have led to context-specific descriptions of the phenomenon (Howaldt & Schwarz, 2010). Contextually-derived meanings and judgments are thus a key facet of our understanding of social innovation (Caulier-Grice et al., 2012) and need to be included in theoretical thinking to capture and form questions of empirical relevance.

### *Social innovation in the nonprofit context*

Nonprofit organizations form one of the most dynamic sectors of the economy as they are required to engage with a diverse array of stakeholders in order to deliver complex, high-demand welfare services and social programs, often but not always for the benefit of society’s most vulnerable and disadvantaged citizens (Chalmers & Balan-Vnuk, 2012). The social problems that such organizations grapple with and seek to fix, often ‘wicked’ in nature (hard to identify, solve or understand and often with unintended consequences), are arguably

a vital piece of the jigsaw puzzle of complexity within the nonprofit sector (Westley et al., 2014). The challenge for NPOs is learning how to succeed within competitive multi-stakeholder environments while fulfilling their core purpose of serving social missions. Social innovation can provide solutions for overcoming difficulties in balancing these two tasks and help NPOs to manage the complexities within their external and internal environments, solve intractable social problems, and hence create social value in more effective and efficient ways (Cahill, 2010; Weerawardena & Mort, 2012). However, one challenge in developing and implementing social innovation for the nonprofit sector is that the current theoretical lenses found in the extant social innovation literature, mostly borrowed from other sectors or disciplines, fail to adequately capture and explain the unique complexity inherent in nonprofits (Westley & Antadze, 2010).

Research has drawn particular attention to a dearth of analysis of how social innovation is implemented by NPOs (Howaldt & Schwarz, 2010). The vast majority of empirical research on social innovation in the nonprofit sector use (induction-based) case study methods that rely solely on in-depth interviews supported by relevant documentation without the use of direct field observations and physical artifacts (e.g. Chalmers & Balan-Vnuk, 2012; Weerawardena & Mort, 2012). The result is a reliance on anecdotes that offer a catalogue of inspiring ‘feel-good’ case studies on the positive outcomes of socially innovative behavior (Mulgan, 2006). Without making practical observations in a field setting, researchers run the risk of producing interpretive errors that undermine conclusions. Given its newly emerging area of research, large-scale representative survey data on social innovation are unavailable and several researchers argue against the use of (deduction-based) survey methods because of the poor definition of social innovation concepts (Nicholls & Murdock, 2012). For example, Weerawardena and Mort (2012, p. 93) contend that “a questionnaire-based approach at this [nascent] stage of [knowledge] development of the field would not



offer a fine-grained view of the issues at hand”.

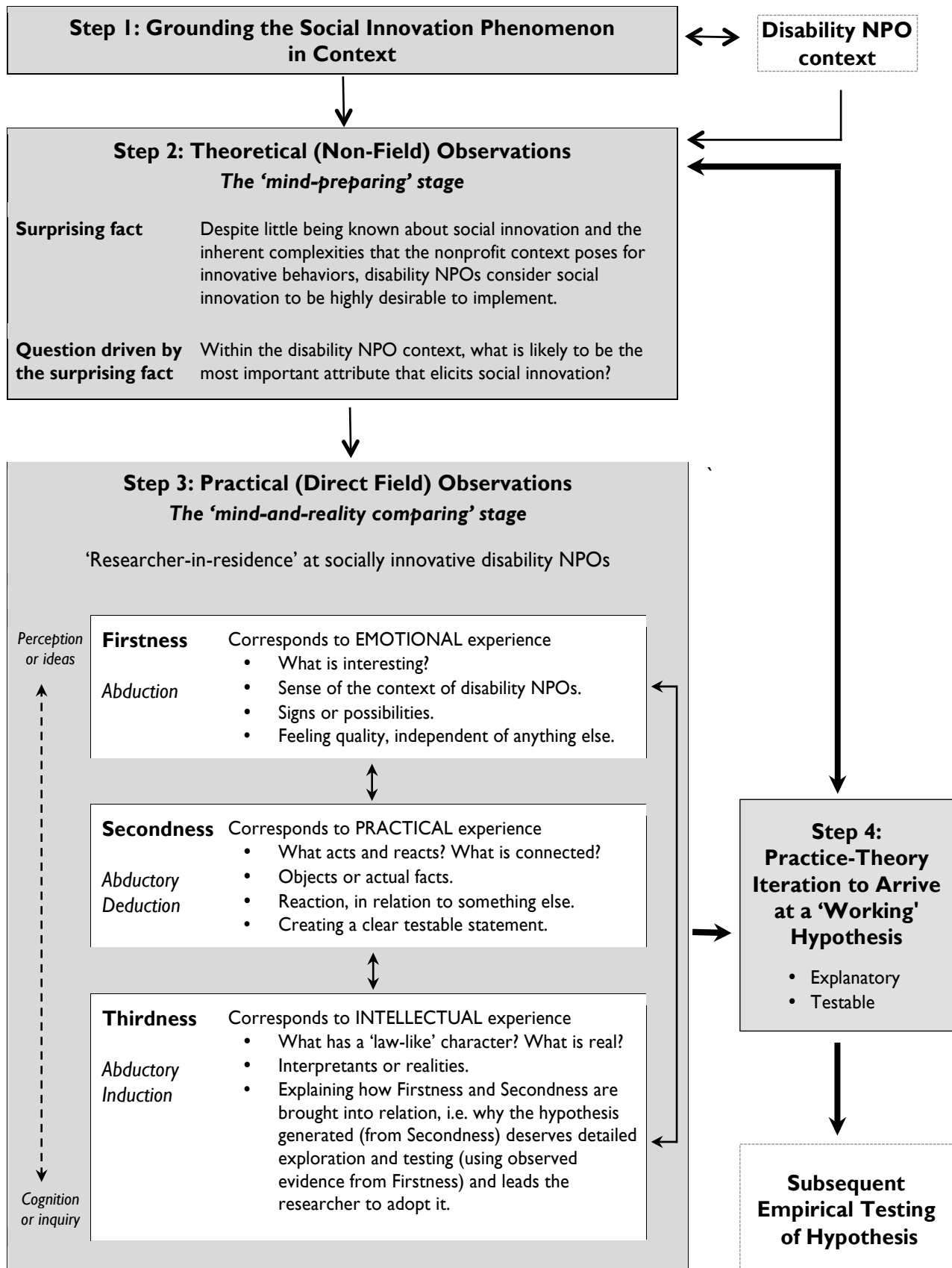
The above limitations make induction and deduction, currently widely used as the primary logics of inquiry, of limited usefulness in identifying good practice or influencing policy decisions. The alternative is to use the logic of abduction, which emphasizes phenomenon-driven empirical discoveries to produce knowledge to fully reveal the inner-workings of the social innovation ‘black box’.

### **3.5 Applying the abduction process in social innovation research on the nonprofit sector**

We draw on Peirce’s notion of abduction to outline an abduction-based method of logical inquiry focusing on the topic of social innovation in disability nonprofits. By describing the methods used in a social innovation-related research project that was recently undertaken by our research team, we give an example of how nonprofit scholars can pragmatically apply the relevant methodological techniques within a four-step abductive framework<sup>3</sup>. The four steps of this framework are as follows: (1) Grounding the social innovation phenomenon in context; (2) Theoretical (non-field) observations; (3) Practical (direct field) observations; and (4) Practice-theory iteration to arrive at a ‘working’ hypothesis. The sequence of, and interrelationships between, these four steps are outlined in Figure 3.1. The next section of this Research Note will describe each of these steps as they were employed in our social innovation research project.

#### *Step 1: Grounding the social innovation phenomenon in context*

The context for our project was NPOs operating in the Australian disability sector which is currently in transition due to the incoming National Disability Insurance Scheme (NDIS). This policy heralds a major paradigm shift in the funding and organization of disability



**Figure 3.1: The 'abduction' process: Creating a testable explanatory hypothesis on social innovation in disability NPOs**

support services in Australia (Green & Mears, 2014) as direct government funding will soon dry up for disability NPOs (e.g. long-standing ‘block funding’ models) and instead disability services will be delivered via a competitive, demand-driven system with individualized budgets in the hands of people with disabilities who will control the purchasing (and thereby determine the viability) of services. For disability NPOs, this means learning how to cope and thrive within a marketplace in which increased external and internal pressures (e.g. volatile cash flow and cost containment challenges), together with the need for in-built flexibility and user-centeredness, will necessitate a “complete about-face in how every aspect of their organization is managed” (Skelton, 2016, p. 458).

With its disruptive and sector-wide influence, the NDIS policy is seen by many to hold great potential to ignite and foster social innovation by disability NPOs (Productivity Commission, 2010). It is expected that managers will vigorously attempt to harness social innovation as a way to ensure their organization can adapt in both conceptual (e.g. new ways of thinking about service provision) and practical (e.g. income generation and cost containment) terms (Green & Mears, 2014). As researchers interested in the poorly understood phenomenon of social innovation in nonprofits, we therefore identified Australian disability NPOs operating in the rapidly changing NDIS landscape as a fertile context for our abduction-driven research project.

### *Step 2: Theoretical (non-field) observations*

Social innovation has “a tendency to elicit passionate and emotional responses from those involved in its practice” (Chalmers, 2012, p. 19), and yet the extant literature indicates that there is a lack of clarity in terms of *how* social innovation can be deployed advantageously in the NPO context (Howaldt & Schwarz, 2010). Thus, we took our first step in the abduction process when our theoretically guided observations called attention to the following

surprising fact: *Despite little being known about social innovation and the inherent complexities that the nonprofit context poses for innovative behaviors, disability NPO managers consider social innovation to be highly desirable to implement.*

Proceeding from the surprising fact, our research team made a perceptual judgment that in turn led us to a research question: *Within the disability NPO context, what is likely to be the most important attribute that elicits social innovation?* Appraising plausible theoretical frameworks that served to foreground the NDIS as a key driving force of social innovation in this context, we selected three relevant theories: first, resource dependence theory (Pfeffer & Salancik, 1978) was identified as a potentially useful lens through which the environmental (e.g. NDIS-fueled) changes could be understood in terms of increasing competitiveness in a resource-constrained system (Soldatic, van Toorn, Dowse & Muir, 2014) together with the importance of marketization as a strategy (Zolkiewski, 2004); second, the possible implications of the individualized ‘active participant’ approach of the NDIS were linked to user innovation theory (von Hippel, 1986); and third, institutional theory was identified for its emphasis on the formal and legal aspects of government structures and policies (Kraft & Furlong, 2012).

In this theory-to-observation process, what we call the ‘mind-preparing’ stage, the researchers engaged in conscious and considered thinking to discern where the use of a particular theory needed to be set against alternative theories, while at the same time blending multiple relevant theories of the social innovation phenomenon within the context of disability NPOs. Adeptly and mindfully achieving this process required that the researchers adopt principles of disciplined imagination and artificial selection (Weick, 1989).

### *Step 3: Practical (direct field) observations*

Once the surprising fact was theoretically observed and the related research question conceptualized, the next step involved the researchers setting out to understand and decipher the real-world context of nonprofits within which social innovation is embedded in order to reduce the risk of false theoretical underpinnings and other theoretical shortcomings. This led us to the practical (direct field) observations stage, or what we call the ‘mind-and-reality comparing’ stage.

In-depth case studies offer a methodological approach in which the researcher can deeply observe the patterns of organizational or management phenomena in situ. We conducted two such organizational case studies in disability NPOs during late 2015 and early 2016: the first case study was an NPO based in a regional city that provides accommodation support, respite, specialized skill development, and community access services to approximately 500 clients with disabilities; the second case study was an NPO based in a major metropolitan area with approximately 1,300 people with a disability regularly accessing its community arts and cultural development programs. These two NPOs were selected based on advice from the state-based governing body that oversees the sector and due to the organizations’ innovative track records.

A researcher in our team resided inside these two socially innovative NPOs as a ‘researcher-in-residence’, each for a period of approximately four weeks. To obtain the necessary close-range observations and sufficient diagnosis of the social innovation phenomenon, the researcher gathered relevant information by observing, attending, and actively participating in staff meetings, group planning sessions, and various other day-to-day internal activities as well as client services occurring within each NPO. In-depth interviews were conducted on the NPOs’ premises and a number of key participants were interviewed multiple times and in different contexts and locations (e.g. during car trips and site visits).

Along with the interview recordings and collection of organizational documents supplied to the researcher, detailed observational notes were taken. When writing these field notes, a blended schema of reacting/questioning was adopted. *Reacting* involved notating unfiltered thoughts and impressions relating to events and observations (Eisenhardt, 1989). *Questioning* involved contemplating and analyzing the meaning of certain emotional, practical, and intellectual experiences (for example, reflecting on the questions described below in the temporal stages of Firstness, Secondness, and Thirdness).

In making direct field observations, the researcher's perception (ideas) developed into cognition (inquiry), and specifically this required moving through Peirce's temporal stages of Firstness, Secondness, and Thirdness. These three stages, which together constituted the 'mind-and-reality comparing' stage (Step 3 in the abduction process), were fulfilled in our research project as follows:

*Firstness (Abduction) Stage:* Firstness involved the researcher watching, participating, interacting, and learning from the people working in the two case study NPOs (managers and staff) as well as those receiving services (clients). In this stage the researcher relied on her senses and feelings as a guide to ask and re-ask relevant questions, such as: *What are the specific behaviors, practices, routines, and decisions/choices observed in these NPOs? Are there any surprising anomalies or unexpected circumstances? What are they?*

Of the many observations that emerged through these sensory/emotional experiences within the Firstness stage in the research project, a number of surprising signs or possibilities came to light. For example, it was interesting to the researcher that social innovations were often initiated and developed by frontline staff. This occurred at the first case study organization with the establishment of a youth program for clients with disabilities, including people in wheelchairs, which engaged them in high-risk activities not offered by other local service providers, including hang-gliding and rock-climbing. This innovative, boundary-

pushing behavior by program staff was actively supported by managerial approaches, for example by promoting the autonomous decision making of self-managed working groups, and maintaining fluid channels of dialogue so that ideas from staff quickly and easily reached management. Another influential factor noticed by the researcher was a collaboration strategy with external entities. For example, at the second case study organization a new website was being developed in collaboration with an external web design company. The socially innovative aspect of this project was that the website was a world-first due to its integration of unprecedented 'web accessibility' capabilities that were jointly conceived, tested, and implemented by the NPO together with its partner agency. The end result was an award-winning website with an in-built accessible design that had not been achieved by any other known website globally.

Finally, at both case study organizations a series of observations gave the researcher insight into an embedded organizational value structure based on intrinsic motivation (viewed as 'innate' rather than learned) to solve social problems within the sector. This was evidenced by their inclusive practices, for example the presence of managers and staff with disabilities, as well as through many everyday occurrences of relatedness and experience sharing, such as clients dropping in at the organizational headquarters (where no direct client services were offered) to have informal conversations with managers, often even with the CEO. On these regular occasions, the clients would sit in the kitchen having cups of coffee with organizational staff and/or managers and open information sharing and signs of mutual levels of comfort and enjoyment (such as laughter) were perceptible to the researcher. Through in-depth interviews, the researcher learnt that the origins of various socially innovative projects could be attributed to such informal conversations and that many project ideas initiated in this way had gone on to be co-designed with clients. One such example was the ideation and development of an imaginatively-designed portable arts venue made out of a shipping

container, which overcame the issue of a lack of accessible venues for artists with disabilities and which now showcases their visual and performing arts shows through regular tours across metropolitan and regional areas. The success of these socially innovative projects has often depended on a long-range timeframe of multiple years. The researcher was surprised to discover that such open-ended outlooks were still prevalent within the case study NPOs, despite the mounting external pressures arising from the incoming NDIS system which necessitated an orientation towards certain immediate or short-term challenges associated with this sector-wide change.

*Secondness (Abductive Deduction) Stage:* By diagnosing the surprising fact or result that was observed in the Firstness stage, the Secondness stage gave rise to a hypothesis which related the observation under question to some other fact or rule that could account for it. Based on a process of ‘abductive deduction’, the researcher carefully applied Peirce’s inferential steps:

The surprising fact, C, is observed;  
But if A were true, C would be a matter of course;  
Hence, there is reason to suspect that A is true (Peirce, 1955, p. 151).

For the observed surprising fact (the communal, open-ended processes and innate value structures that elicited social innovations within disability NPOs), the potential factors that may have been influential included: i) a participatory, innovation-supportive culture; ii) collaboration with external partners; or iii) a shared value structure grounded in intrinsic motivation to solve social problems. Integrating, correlating, and reframing these factors formed our deliberated working hypothesis: *The shared value of ‘transformational empathy’ – involving a communal commitment to social innovation as the wellspring of ideation and action for solving complex social problems, and a shared aspiration that all people [i.e. managers / staff / clients / external collaborators] can contribute to its creation and implementation – is likely to be the most important attribute that elicits social innovation.* Or,



to reframe this statement using the central inferential step in Peirce's logic, the researcher formulated the following: *If NPOs draw upon a shared value of 'transformational empathy', the fact that social innovation requires communal, open-ended processes and innate value structures would be a matter of course.*

*Thirdness (Abductive Induction) Stage:* Within this stage, the researcher explained why the 'transformational empathy' hypothesis was formed and deserved detailed exploration and testing. The stage of Thirdness takes account of the fact that for any intriguing observation there is an infinite set of possible explanations (Svennevig, 2001), and thus the possibility or plausibility of the 'hopeful suggestion' (the chosen hypothesis) requires the researcher to articulate how the insights and inferences deriving from Firstness and Secondness can be logically brought into relation. Through a process of 'abductive induction' the researcher adopts a certain intellectual position which is "not the hypothesis itself... but a statement that there is evidence for the hypothesis" (Frankfurt, 1958, p. 594). For example, in our social innovation study the evidence from the Firstness stage indicated the shared value of transformational empathy was important for promoting greater internalization and integration within the disability NPOs, and possibly leading to positive effects in terms of creativity, knowledge co-creation, and a pervading attitude of persistence (i.e. maintaining a long-range view) in the face of immediate challenges and uncertainty.

#### *Step 4: Practice-theory iteration to arrive at a 'working' hypothesis*

The fourth and final step in the abduction process involves the provisional acceptance of the 'working' hypothesis following a deliberate oscillation between empirical and theoretical observations. Based on the findings from the direct field observations, the researchers surmised that transformational empathy was the most important attribute for eliciting social innovation. By moving back and forth between theory and practice, the researchers noticed a

possible incongruence between the theoretical observations of the earlier non-field stage (Stage 2) and the practical observations made during the direct field stage (Stage 3). In particular, the researchers had initially called attention to resource dependence theory and institutional theory. However, the two case studies suggested that social innovation was not predominantly driven by external forces or pressures, such as the sector-wide policy changes, institutional structures, and quasi-market forces set in train by the incoming NDIS; rather, it was the highly personal, self-authored activations and intentions driven by internal (innate) enthusiasms which fostered the implementation of socially innovative initiatives (i.e. a shared value of transformational empathy). Although largely ignored in the social innovation literature to date, self-determination theory (SDT) (Ryan & Deci, 2000) offers a theoretical framework predicated on the importance of the innate human needs of competence, relatedness, and autonomy and these can be seen to link directly with intrinsic motivation, optimal functioning, and growth in both an individual and organizational sense. According to SDT, the fostering of necessary contextual (organizational) supports can lead individuals and organized teams of individuals to “seek out novelty and challenges, to extend and exercise [their] capacities, to explore, and to learn” (Ryan & Deci, 2000, p. 70), denoting some of the key hallmarks of socially innovative behavior.

Blended with these theoretical connotations of SDT, and underscoring the importance of the client-initiated and/or client-led social innovations observed in the case study organizations, the aforementioned user innovation theory (von Hippel, 1986) was deemed to hold valid predictive elements for future empirical testing of the transformational empathy hypothesis. However, the marginalized vantage point of the people involved in such user-led processes within disability NPOs (i.e. people with disabilities) also necessitated the integration of certain social justice tenets of citizenship theory (Duffy, 2010) alongside the relevant aspects of user innovation theory. In so doing, an innate appreciation of the equal

dignity of all human beings and the positive value of human diversity for cultivating the necessary energy, direction, and creativity at the heart of social innovation can be better captured in the theoretical understandings of this concept.

As this example of a recent social innovation research project demonstrates, arriving at these deeply grounded and interconnected explanatory junctures was dependent on and driven by abductive reasoning. The researchers in this project would not have discovered these ideas, nor thought through their consequences in a broader experiential or applied sense, if their inquiry had involved merely reading, hearing, or even watching. Instead, one needs to ‘feel’, as “the richness of phenomena lies in their sensuous quality” (Peirce, 1955, p. 262). While abduction merely suggests that something may be, by engaging in the four-step abduction process which incorporates both a practical, cognitively-based approach (emphasizing observed facts grounded in contextual conditions and filled with existing theoretical knowledge) and a scientific approach (forming explanatory hypotheses), it enables the researcher to devise theories that hold great promise for real-world relevance.

Moving beyond the four-step abductive framework put forward in this Research Note, the researcher would next seek to verify the abductively-derived hypothesis in the subsequent stage/s of experimental testing. Maintaining a practice orientation embeds this process within (or in direct reference to) real-world contexts, recognizing that the pursuit of knowledge in complex research fields is a local and contingent process (Fox, 2003). In this sense, testing in/by context may involve establishing a researcher-practitioner dialectic under real-time conditions, for example as in action research, whereby the researcher’s propositions are tested through organizational interventions or situation-specific trials and practitioners actively respond by reinterpreting the use of theories in a bottom-up approach to implementation and appropriation (Fox, 2003; Watson et al., 1995). In this open-ended mode of engagement, “acting is testing, and the practitioner is an experimenter” (Argyris & Schön,

1974, p. 159). Large-scale testing may also be used to analyze multiple contexts and facilitate interpretation of causally relevant factors, for example through the use of ‘set-theoretic’ methods such as Qualitative Comparative Analysis (QCA) (Ragin, 1987). These tools can contribute to developing theories-in-practice (Argyris & Schön, 1974) which aim to be of instrumental value to practitioners by communicating the subtle patterns, complexities, and underlying order within organizational phenomena, while also remaining responsive to different contexts. Thus, rather than focusing on “grand theory which globalize and deny difference” (Fox, 2003, p. 87), the processes of testing and theory-building in practice-led research harness contextual ambiguity by pursuing localized and evolutionary pathways, including those not predicted but developed out of continued sense-making, learning, and adaptation.

### **3.6 Conclusion**

This Research Note is situated in the midst of the serious concern about a remarkable dearth of high-impact research that is of relevance, interest, and utility value for practice. In this Research Note, we introduce a novel method of reasoning, ‘abduction’, and apply it to social innovation in the nonprofit sector. We highlight its value as the most promising methodological tool for finding new knowledge of a perplexing and poorly-understood phenomenon in the upstream stage of theoretical development or hypothesis generation. The impact of knowledge discovered through abduction lies in its direct connection with practice. In essence, providing a foundation for building theories that can make a better and more accurate sense of reality is the bottom-line of abduction.

The newly emerging phenomenon of social innovation in the nonprofit sector serves as an illustrative example of the usefulness of an abduction-based method of inquiry for scholars and practitioners. There are two take-away messages from this Research Note. First,

the unique functional process of abduction enables researchers to navigate their research journey, choosing their direction at each encountered juncture with receptivity and precision. Second, abduction can help researchers to interpret unforeseen experiences and surprising discoveries in ways that lead towards truly fascinating and as yet undiscovered destinations. Such a researcher-as-traveler process – a by-product of abduction involving a blended constitution of intuition, theoretical knowledge, context specificity, practical experiences, and non-recursive, iterative steps – arguably serves to deliver meaningful and impactful knowledge and innovative solutions with the capacity to positively change organizational practice in the nonprofit sector.

To the best of our knowledge, the value of embedding abductive logic in methodological framing is yet to be acknowledged in *NVSQ*. By applying abductive reasoning to the nonprofit sector, this Research Note takes a small but significant step in directing future research towards the adoption of a more pragmatic, holistic, and useful methodology. Such a direction will be of great importance in shifting the focus of nonprofit scholarship back to the soul of relevance and the applied nature of our field.

### 3.7 Endnotes

<sup>1</sup> To gauge the current prevalence of induction, deduction, and abduction as methods of reasoning within nonprofit research, the authors conducted a search in three of the leading journals in the field, *NVSQ*, *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, and *Nonprofit Management and Leadership*, for articles published between 2000 to 2016 containing the following keywords: ‘abduction’ or ‘abductive’; ‘induction’ or ‘inductive’; and ‘deduction’ or ‘deductive’. By removing book reviews, articles containing the keywords in their reference list only, and articles containing unrelated usages of these terms (for example, the use of ‘deduction’ in relation to charitable tax deductions), the total number of articles explicitly referring to an inductive method of reasoning was 129 (66% of total sample), deductive methods were referred to in 59 articles (30%), and just six articles used abduction (3%).

<sup>2</sup> It is generally accepted in the methodological organization-scientific literature that certain types of reasoning can be linked to specific research methods (Mantere & Ketokivi, 2013). Deductive reasoning is widely (although not necessarily) used in quantitative hypothesis-testing research (e.g. survey research) (Bielefeld, 2006), and inductive reasoning is used in qualitative case-driven research, often but not always in concert with some form of grounded theory approach (Glaser & Strauss, 1967). It should be noted that inductive reasoning may be used in quantitative research, and not just in qualitative research, based on the argument that it “unavoidably underlies all empirical generalizations made in theory-testing research” (Mantere & Ketokivi, 2013, p. 80).

<sup>3</sup> The aim of this Research Note is not to report on the results of the case studies but rather to give an example of the application of the four-step abduction process as it was used in a research project focusing on social innovation by disability NPOs, and thus as a way to demonstrate the value of using abductive reasoning in nonprofit research.

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## Chapter 4

### **Social innovation in disability nonprofits: An abductive study of capabilities for social change**

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This chapter is currently under review by *Nonprofit and Voluntary Sector Quarterly*.

The documents that supported the conduct of the organizational case studies in this chapter are provided as Appendices 1 to 9. These include:

- Project Information Sheet: Managers and Staff - Phase 1 (Appendix 1)
- Project Information Sheet: Client Participants - Phase 1 (Appendix 2)
- Project Information Sheet: Client Participants (Easy Read Version) - Phase 1 (Appendix 3)
- Consent Form: Managers and Staff - Phase 1 (Appendix 4)
- Consent Form: Client Participants - Phase 1 (Appendix 5)
- Consent Form : Client Participants (Easy Read Version) - Phase 1 (Appendix 6)
- Interview Schedule: Managers and Staff - Phase 1 (Appendix 7)
- Interview Schedule: Client Participants - Phase 1 (Appendix 8)
- Sign Informing of Participant Observation Research Conducted in the Workplace - Phase 1 (Appendix 9)

All of the above documents received approval from the Tasmanian Social Sciences Human Research Ethics Committee (HREC), as part of the data collection procedures associated with this project (project number H0015189).

#### **4.1 Abstract**

This study uses an abduction-based approach to identify the capabilities harnessed by nonprofit organizations (NPOs) as they develop social innovations. The context of this study

is the Australian disability sector currently undergoing a once-in-a-generation social policy reform with the implementation of the National Disability Insurance Scheme. Data from 52 interviews and field observation notes were collected during ‘researcher-in-residences’ at two disability NPOs, and analyzed using Leximancer concept-mapping and thematic coding. The findings reveal many capabilities used by disability NPOs on the path to social innovation development. The complex interplay of these capabilities forms five pivotal capabilities (i.e. transformational empathy, place-based relationing, diversity learning, paradoxical change-making, and complexity leadership) for eliciting Nonprofit Social Innovation (NSI) with community and system-level impacts.

## **4.2 Introduction**

Australia’s national disability sector is currently grappling with the implementation of a major policy shift, the National Disability Insurance Scheme (NDIS). While the NDIS introduces a market-driven service model that threatens to destabilize many Australian disability nonprofit organizations (NPOs) (Connellan, 2014), this transformative reform fundamentally seeks to address the widespread and complex social problems experienced by people with disabilities in the Australian community, including social exclusion, material poverty, unemployment, and rights denial (Hallahan, 2013; Soldatic, van Toorn, Dowse, & Muir, 2014). According to the Australian Productivity Commission (2011), the Australian disability services sector, including NPOs which comprise the majority of disability service providers, is viewed as inequitable, fragmented, and inefficient, and affording people with disability little choice with regards to service design and delivery. As a result, there is recognition for the increasing importance of social innovation, defined as “a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private

individuals” (Phills, Deiglmeier, & Miller, 2008, p. 39). Through its focus on socially innovative service models, the NDIS is expected to create a dynamic ‘disability marketplace’ characterized by greater consumer choice, direct communication between consumers (people with disability) and suppliers (NPOs), and increased efficiencies driven by higher competition and organizations that are more innovative and responsive to consumer demand (Connellan, 2014; Green & Mears, 2014).

While social innovation offers exciting possibilities and has thus become a popular buzz-word (Pol & Ville, 2009), it also presents many perplexing questions and challenges. To date, there has been limited rigorous analysis into social innovation in NPO contexts, resulting in under-developed knowledge of the organizational capabilities needed to pursue social innovation (Lettice & Parekh, 2010). Ongoing conceptual imprecision (Ayob, Teasdale, & Fagan, 2016), the phenomenon’s highly contextualized nature (Howaldt & Schwarz, 2017), and the common use of research methods that fail to account for the inherent complexities of organizational contexts (Taylor, Torugsa, & Arundel, 2018) are possible factors contributing to the pre-theoretical state of the current knowledge base.

This study takes a significant step towards addressing these challenges by embedding ‘abduction’ – a method of reasoning for discovering new knowledge that bridges the scholar-practice – in research design and analysis to more accurately capture the reality of the capabilities required for, and the impacts generated by, social innovation. Specifically, this study applies Taylor et al.’s (2018) abduction process to identify the organizational capabilities that enable two Australian disability NPOs to design socially innovative services to benefit the lives of people with disabilities.

Through close-range observations and careful diagnosis of the social innovation phenomenon obtained from the ‘researcher-in-residence’ approach, data from 52 in-depth interviews and observational notes were collected and analyzed using Leximancer concept-

mapping and thematic coding. The results reveal the use by disability NPOs of various interlinked capabilities for developing social innovations, occurring through constellations of everyday routines of human activities or practices within multi-actor nonprofit contexts. An NPO's capacity to make the most effective deployment of five 'pivotal' capabilities (transformational empathy, place-based relationing, diversity learning, paradoxical change-making, and complexity leadership), is essential for the development of impactful social innovations with the potential to achieve community- and societal-level forms of social change, which we define as Nonprofit Social Innovation (NSI). The novel contributions of our study lie in its abductive insights of relevance to practice and advancing theory.

### **4.3 Abductively-led literature review**

The use of an abduction-based method of reasoning, as proposed by Taylor et al. (2018, p. 10-16), involves blending context specificity, theoretical knowledge, and practical experiences through a deliberate and iterative process comprising four steps: (1) grounding the social innovation phenomenon in context; (2) theoretical (non-field) observations; (3) practical (direct-field) observations; and (4) practice-theory iteration to arrive at a 'working' hypothesis. Steps 1 and 2 are referred to as the "theory-to-observation" or "mind-preparing" stage where the focus is on perceiving and contemplating 'surprising facts' observed through exploration of the social innovation literature and on translating these into the study's research question. These are discussed in this section. Steps 3 and 4 are discussed in the Methodology and Discussion sections respectively.

#### *Encountering 'surprising facts' in the social innovation literature*

Many NPO managers consider social innovation to be an important mechanism through which their organization can tackle critical social challenges in new ways (Weerawardena &

Mort, 2012). In the Australian disability sector, these managerial objectives align with the federal government's agenda to encourage and build social innovation so as to enhance NPO capacity and 'NDIS readiness' (Green & Mears, 2014). Yet the question of *how* social innovations are developed and implemented remains unclear.

Empirical research into the organizational capabilities required to successfully develop social innovations within NPO settings is in short supply. In addition, attempts by researchers to conceptually decipher social innovation are inconsistent (Ayob et al., 2016; Howaldt & Schwarz, 2017). The choice of theoretical lenses to understand the unique complexity of nonprofit contexts (Westley, Antadze, Riddell, Robinson, & Geobey, 2014) could also hinder the development of theory and meaningful hypotheses. Furthermore, as organizations must navigate a multiplicity of demands from competing stakeholders (Choi, 2014), uncertainty is cast over the question of how NPOs should align their resource endowments and strategic operations for socially innovative purposes. Thus, we arrive at our first surprising fact:

*NPOs consider social innovation to be highly desirable to implement, however the scholarly knowledge base remains under-developed and is yet to decipher the inherent complexities that the nonprofit context poses for social innovations.*

A mismatch between practical intentions and theory can also be found when delving into the question of social innovation's impacts, i.e. in the disability services context this is the crucial question of whether the means delivers the ends (Morris, 2001). In the social innovation literature, systems-level change has been defined as "the fundamental transformation of the systems of society on which we all depend" (Davies et al., 2012, p. 3). This is arguably an important consideration in the context of our study, due to the effect of systemic social exclusion in denying people with disabilities the opportunities and life chances enjoyed by the majority of people in society (Millar, 2007). Accordingly, one of the organizational missions of most disability NPOs (and thus a core intention behind their

socially innovative programs) is to redress systemic forms of disadvantage and by doing so empower people with disabilities via increased social, cultural, and economic participation in community life (Hallahan, 2013; Morris, 2001).

Yet a systemic perspective of social innovation emphasizes the importance of broad level, integrative innovations occurring across multiple parts of the system, rather than the innovative work of single organizations (Davies et al., 2012). The social innovations developed by NPOs are often criticized for focusing on symptomatic issues rather than addressing underlying system dynamics (Westley et al. 2014). Moreover, as Australian disability NPOs attempt to pursue a market orientation (Dart, 2004) in the NDIS era, harnessing social innovation to enhance service quality (increased organizational effectiveness), or to reduce costs (enhanced organizational efficiency), may form the most pressing objectives behind their current social innovation efforts, rather than systemic change (Weerawardena & Mort, 2012). This leads us to articulate the second surprising fact:

*While NPOs may develop social innovations for organizational-level impact (enhanced effectiveness or efficiency) rather than systemic impact, the core mission of these organizations is to redress systemic social problems.*

Upon discovering these two surprising facts, we articulate the study's overarching research question as follows:

*Within the disability NPO context, what organizational capabilities are required for the development of social innovations, and what are the impacts of successful implementation of social innovations by NPOs?*

The first part of this research question focuses on the organizational capabilities of NPOs, which can be defined as the resource endowments controlled by NPOs that enable them to establish their identity, frame their strategies, and ultimately realize benefits from their strategizing efforts (Barney, 1991). The second part of this research question which



pertains to the impacts of social innovations requires an assessment of the gap between NPOs' stated intentions (objectives) and the benefits (positive effects in organizational and/or systemic terms) of their socially innovative programs.

The final step of this "mind-preparing" stage is to select theoretical lenses for explaining social innovation in the Australian disability sector.

#### *Establishing a multi-theoretic view of social innovation*

Attempting to theoretically frame social innovation in sufficiently holistic and dynamical terms points to the need for a complexity theorizing approach (Burnes, 2005; Byrne, 2005) based on the premise that no single theory is sufficient to explain the novelty-generating systems that produce and result from this multi-dimensional phenomenon. We identify (before making any direct-field observations) institutional theory, resource dependence theory, and user innovation theory as three potentially relevant theories to comprehend social innovation in the evolving NDIS environment.

*Institutional theory* underscores how institutional rules govern people's behavior as they participate in organizational phenomena such as social innovation (Kraft & Furlong, 2013). Organizational legitimacy and survival are determined by an NPO's capacity to operate successfully within the formal and legal constraints of regulatory structures. In the context of our study, the Australian government is the most important institutional actor exercising influence via its national (NDIS) funding apparatus. Social innovations developed by disability NPOs are thus expected to be shaped by, and necessarily comply with, the institutionally mandated norms enunciated within NDIS policy (Guo & Acar, 2005).

*Resource dependence theory* emphasizes the external pressures experienced by disability NPOs in shaping social innovation (Pfeffer & Salancik, 2003). It is anticipated that NPOs will face increased competition for critical resources and such uncertainty may serve to

deepen the interdependence between NPOs and their external environment. Organizational responses may involve increased market-orientation in which service provision moves from charitable to commercially-driven responses (Connellan, 2014). The notion of interdependency that is central to this theory may also lead to a significant restructuring of exchange relationships between NPOs based on heightened collaboration and resource-sharing via formal and informal coalitions and networks.

*User innovation theory* emphasizes the user-centric and democratized processes of innovation (von Hippel, 1986, 2005). As individualized funding under the NDIS provides a mechanism through which people with disability can exercise direct control in the choice and design of services (Green & Mears, 2014), user innovation theory helps to explain the emergence of direct client engagement with the design of social innovations, and NPOs' capacity to understand the preferred 'end state' that a socially innovative program may attain based on discussions with clients on their aspirations and goals.

We next outline the methodological basis of our abductive 'direct-field observations' phase.

#### **4.4 Abductively-led methodology**

*Data collection: 'Researcher-in-residences' at two disability NPOs*

The abduction research process relies on a highly situated and practice-driven mode of inquiry (Peirce, 1955). A researcher-in-residence involves a researcher residing with and learning from real-world subjects (Birkinshaw, Healey, Suddaby, & Weber, 2014) in order to understand the phenomenon of interest at close-range via different perspectives and ongoing transitional states. Throughout this process, a blend of emotional, practical, and intellectual experiences is vital for deepening the researcher's understanding of organizational life. This "mind-and-reality comparing" stage seeks to grapple with complex realities by providing

opportunities for researcher-practitioner relationing, reflecting, untangling, and reconnecting of tentative understandings as they spontaneously emerge in situ (Taylor et al., 2018).

For this study, a researcher resided in two disability NPOs, which we refer to as NPO-1 and NPO-2, during late 2015 and early 2016. These two NPOs were selected based on advice from a state-based governing body that oversees the sector and the organizations' innovation track records. Each of these NPOs hosted the researcher full-time for approximately four weeks. During this time, the researcher conducted 52 semi-structured interviews with individuals and groups (32 interviews at NPO-1 and 20 at NPO-2). The researcher interviewed a wide range of individuals at each organization, including the CEOs and executive managers, service managers, frontline staff, clients, board directors, and external collaborators. Interviews ranged in duration from 15 minutes to up to two hours (interviews with clients with an intellectual disability were around 15 minutes). A semi-structured interview schedule was developed for each of the different interviewee groups to ask them about the innovation-related activities of the NPOs. In accordance with the practice-led mode of inquiry, questioning was sufficiently open to ensure that interviewees could discuss their experiences in their own terms. The interviews were recorded using a digital recording device and later transcribed in full by the research team.

In addition to interviewing, the researcher observed the day-to-day operations of each NPO by attending meetings, team-planning sessions, and externally run events (e.g. workshops) organized by the NPOs. The researcher also conducted participant observation within a variety of service delivery contexts, such as reception areas and program activity spaces. Lastly, engaging in myriad normalized settings of the shared work world, such as morning tea gatherings and hallway discussions, enabled the researcher to not only observe but to sense or 'feel' hidden aspects of organizational life (Mintzberg, 1979).

*Data analysis: Leximancer concept mapping and thematic coding*

The analysis of the 52 interview transcripts and the field researcher's observational records involved a two-step process of abductive concept mapping using the content analysis software, Leximancer, followed by (deductive and inductive) thematic coding. Increasingly used by qualitative researchers for studies of NPOs (e.g. Cretchley, Gallois, Chenery, & Smith, 2010; Harley, Metcalf, & Irwin, 2014), Leximancer employs an automatic content analysis function to efficaciously extract an array of interrelated themes and concepts from textual sources.

When running the Leximancer analysis, there are a number of manually adjusted parameters that the researcher must set. For our analysis, the total number of concepts to be extracted was set to 60 concepts, which was higher than the automatically generated number due to the large and diverse nature of the data set, but fell within the recommended maximum limit of 100 concepts (Leximancer, 2016). The coded context block was set at three sentences to ensure that a sufficient set of terms could be measured for each seed word, as setting text segments to longer than three sentences can result in the inclusion of irrelevant noise terms while shorter segments find fewer co-occurrence relationships between concepts (Smith & Humphreys, 2006). Lastly, the presence of highly connected yet meaningless concepts that are conventionally used in spoken language (e.g. think, sort, possibly, and kind) were determined by the researchers to be bleached of meaning. Removing them from the list of concept seeds served to stabilize the final map.

A key function of the Leximancer analysis is the generation of a semantic map representing the key concepts (terms co-occurring in sentences throughout the text) and themes (clusters of frequently co-occurring concepts). The larger the circle displayed in the map, the more prominent the theme or concept is, with the theme name for each circle derived from the most dominant concept within it. The proximity and/or overlapping of

circles denotes the interrelatedness of themes (Leximancer, 2016). By inputting data using file tags for each interviewee group, the concept maps present the diverse actors who are interspersed within the overall conceptual picture that emerges. Ultimately, these maps promote researcher engagement with complexity thinking and systems-level analysis by displaying asymmetrically networked interactivity (Smith & Humphreys, 2006).

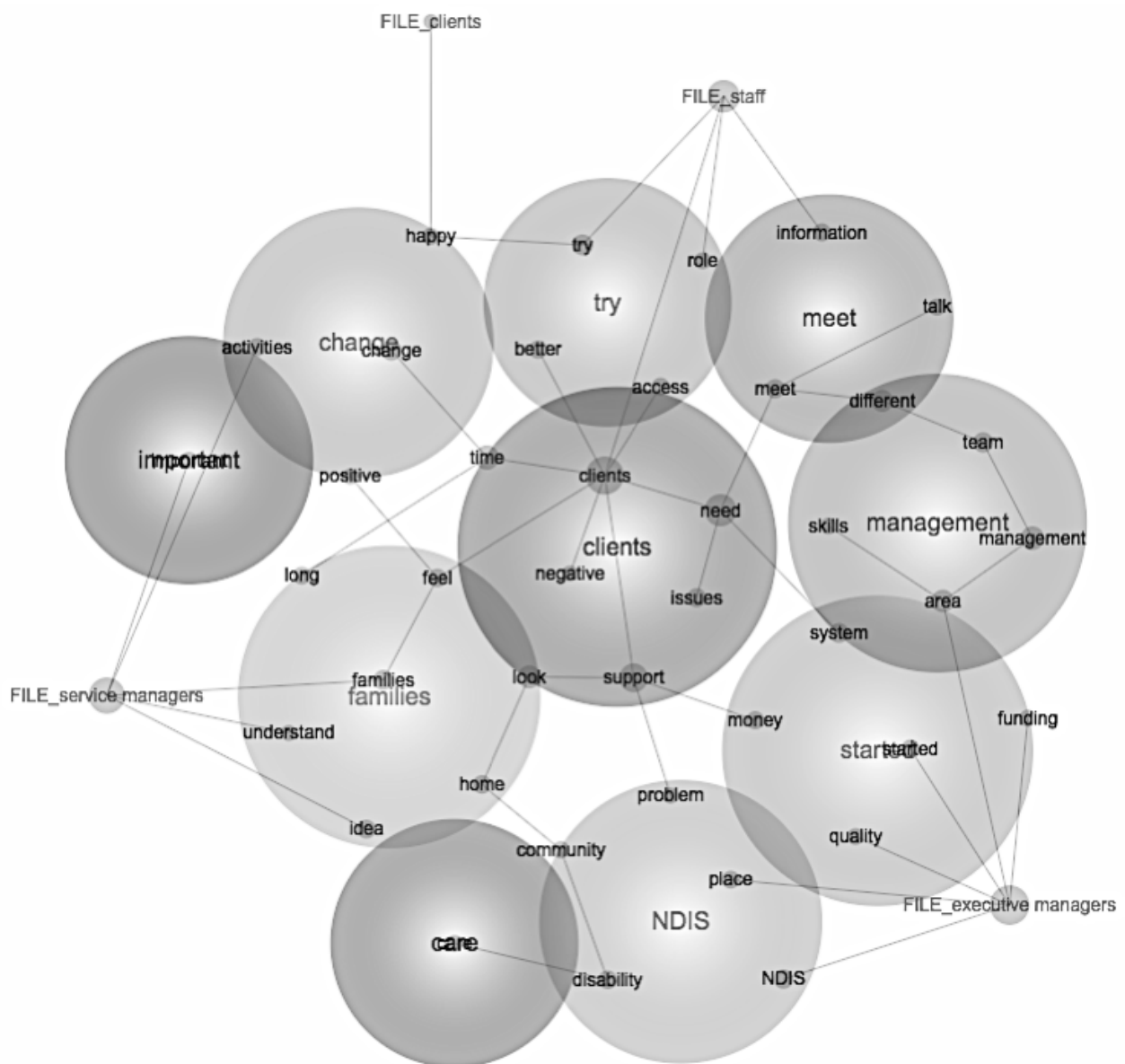
Despite its usefulness as an abductively-organized analysis tool, however, concept maps are inconclusive and the researcher must infer the underlying meanings and connections. For this reason, the Leximancer analysis was followed by a process of manual thematic coding to interpret the meaning of the linkages in the maps and to identify illustrative quotes or excerpts from the interview transcripts and observational data. The data sets were read multiple times and each interrogation aimed to code segments via a two-fold process of deductive (theory-based) and inductive (data-driven) thematic analysis (Vaismoradi, Turunen, & Bondas, 2013). This resulted in the classification of specific excerpts according to themes based on both pre-determined and emerging constructs (Boyatzis, 1998).

## **4.5 Results**

We use the Leximancer concept maps together with illustrative interview excerpts and observational data to unpack the central themes and the relevant actor-oriented clusters of concepts for each NPO. The context-specific nature of the phenomenon requires that the two NPOs be presented as separate cases in the Results section, with broader implications drawn from an amalgamation of the findings in the subsequent Discussion section.

### *NPO-1 case study*

The first case organization, NPO-1, is based in a regional city and provides accommodation support, respite, specialized skill development, and community access services to approximately 370 clients with disabilities. Figure 4.1 is the Leximancer output representing the most important themes and concepts deriving from the 32 interview transcripts.



**Figure 4.1:** Leximancer concept-mapping analysis: NPO-1

### *Centrally-positioned theme: 'clients'*

The centrally-positioned theme in the NPO-1 concept map is *'clients'*, as it is the most commonly used word across all of the interviews (used a total of 509 times) with the most links with other concepts. This theme may be considered central to this NPO's social innovation-related activities in a holistic (rather than actor-specific) sense, and reflects the organization's prevalent client-centered approach: *"Our work is all about supporting clients and supporting them to have the best life possible"* (Interviewee 28). The related concept of *'need'* may indicate clients' role in providing an impetus for service design: *"They can come to us and say, 'I need this type of support'. And then we're open to creating something if we don't already offer it. It's not very often that we say no"* (Interviewee 12). The nearby concepts *'negative'*, *'issues'*, and *'time'*, however, suggest that working with clients for innovative ends can present challenges and require *"starting slow... you're working with people so you should go slow"* (Interviewee 7).

### *Themes relating to Staff and Clients: 'try', 'change', and 'meet'*

The theme *'try'* links directly to the Staff interviewee group and indirectly to the Clients interviewee group via the concept *'happy'* and the theme *'change'*. This implies that clients and staff are closely linked when engaging in change processes and in *'trying'* new ideas resulting in enhanced client satisfaction (feeling *'happy'* with the changes). The Staff group also links directly with the theme *'meet'*, in which the concepts *'information'*, *'talk'*, and *'different'* allude to the highly participatory meeting formats evidenced at NPO-1. For example, in a cross-organizational planning meeting, the researcher observed how the managers in attendance chose not to adopt prominent roles in the meeting, and instead other non-managerial staff members were comparatively more vocal. Across the organization,

different avenues for internal collaboration are exploited with staff typically *“trying to solve problems in teams, rather than having to do it yourself”* (Interviewee 3). While informal interactions are often considered *“more important than formal channels”* (Interviewee 7), designated forums enable staff to share the lessons gained from socially innovative projects.

#### *Theme relating to Service Managers: ‘families’*

Relationship building appears as a key focus for the Service Managers group, the tier of management directly overseeing client services. On the concept map, this group links with the theme *‘families’* which encompasses the concepts *‘understand’*, *‘idea’*, *‘feel’*, *‘look’*, *‘long’*, and *‘home’*. A service manager discusses how close connections with clients and their families is as an explicit innovation-related behavior:

*A lot of the things we do are focused on the relationships you can build, and they’re significant in terms of whether innovation works or it doesn’t work. So it’s seizing opportunities for building relationships, which in a day to day sense means deciding that an email should be replaced by a phone call or face to face chat for example (Interviewee 8).*

The researcher noted frequent instances of ad hoc interactions within NPO-1 that fostered a family-like atmosphere; for example, clients regularly visiting the organizational headquarters (where no direct client services are provided) to have a cup of coffee and engage in perceptively relaxed conversations with managers. Furthermore, after visiting program sites and observing managers liaising directly with clients when tailoring service offerings, the researcher surmised that managers idiosyncratically draw from organization-wide values in order to determine their own personally directed approaches i.e. they are guided by understandings derived through careful listening and a deep sense of ‘knowing’ the client or family.



*Themes relating to Executive Managers: 'NDIS', 'started', and 'management'*

The Executive Managers group is positioned at the bottom-right corner of the concept map, linking directly with the themes 'NDIS', 'management', and 'started'. The distinctly operational and budgetary-related concepts within this cluster depict the managerial response to the imminent rollout of the NDIS. These new (i.e. recently 'started') challenges may be behind the establishment of organization-wide administrative mechanisms by the executive team to *"ensure everything happens at a certain time, and making sure the results are continually being monitored and there's continuous improvement happening"* (Interviewee 1). One such system is a new impartial case management team that fulfills an internal audit function.

Within the 'NDIS' theme, the concepts of 'community', 'problem', 'disability', and 'place' signify the organization's recognition of the entrenched disadvantage experienced by people with disability and the social exclusion that is experienced in terms of their engagement (or 'place') in community. The newly added by-line within NPO-1's mission statement at the time of the researcher-in-residence, which was *"Challenge expectations"*, demonstrates the organization's evolving appetite for purposeful action that challenges these problems at the community and/or societal level:

*Without a doubt, we've learnt that we can keep pushing boundaries. It's basically thinking of even the most way-out program, and then how do we get to that? How do we do things nobody else has tried, that society is perhaps not even ready for yet? And let's push ourselves to do it (Interviewee 13).*

As the above interview excerpt indicates, NPO-1 has established a reputation as a boundary-pushing organization, for example by listening to the ambitions of young people with disabilities who seek avenues to engage in activities that other service providers deem to be 'too risky'. The outcome of these innovative programs has been the changing of community perceptions over time in terms of *"the things people wouldn't necessarily think*

*somebody in a wheelchair could do... we're pushing our people back into the community, to say these people are part of your community, and this is how they actually force their way back into society"* (Interviewee 24).

The theme of '*management*' also contains the concepts '*area*', '*skills*', and '*team*' which may represent the self-organized teams operating within the NPO's new organizational structure. The increasingly autonomous decision-making and financial accountability within each area calls for a highly skilled management capacity, with the CEO deliberately recruiting a diverse managerial base with backgrounds beyond the disability care field.

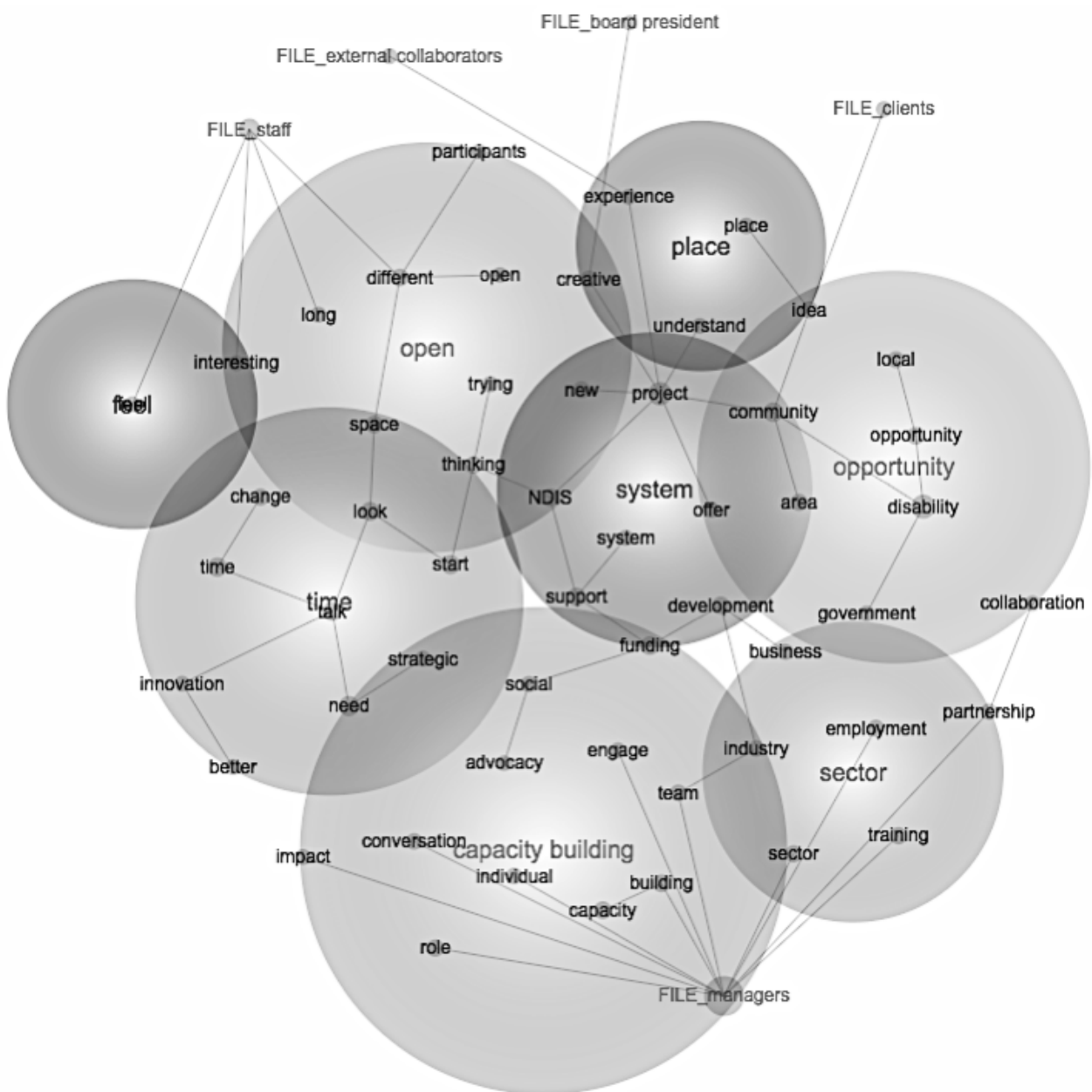
#### *NPO-2 case study*

The second case organization is based in a metropolitan area and has approximately 600 people with disabilities regularly accessing its community arts and cultural development programs. Figure 4.2 is the concept map depicting the major themes emerging from the 20 interview transcripts. The high degree of overlap of the circles illustrates the significant interconnectedness of the themes.

#### *Centrally-positioned theme: 'system'*

The centrality of the theme '*system*' may denote the prominence of a 'system lens' that is purposefully adopted by NPO-2. For example, a decommissioning of all mental health sector NPOs led this organization to strategically engage with a variety of NPOs and local government entities to develop new partnerships, campaigns, and industry development opportunities. This demonstrates NPO-2's objective to lay the groundwork for sector-wide change within tumultuous policy environments, based on the premise that "*policy doesn't do it on its own. It is actually by organizations in the sector working together that change*

*occurs*” (Interviewee 13). Another example of their whole-of-system approach is NPO-2’s newly developed ‘self-advocacy toolkit’ created through close involvement of people with lived experience of disability and mental health issues. Recently released, this resource is transforming system dynamics by giving people with disability novel ways to “*educate the NDIS, and the NDIS planners*” (Interviewee 6), thereby empowering individuals to advocate for themselves within national bureaucratic systems.



**Figure 4.2: Leximancer concept-mapping analysis: NPO-2**

*Themes relating to Managers: 'capacity building' and 'sector'*

'Capacity building' appears as the largest theme on the NPO-2 concept map and contains the most internal concepts (a total of 14). Six of these concepts link directly with the Managers group, which also links with four concepts within the adjacent theme, 'sector'. The concepts 'individual', 'team', 'partnership', and 'industry' within this cluster may speak to the "*need for every layer and level of interaction*" (Interviewee 6), and accordingly many NPO-2 programs utilize a multi-leveled engagement strategy. One such example is the organization's career development program for artists with disabilities that requires "*brokering, introducing, and building relationships*" (Interviewee 2) with NPO-2 acting as a "*supportive enabler*" (Interviewee 19).

The multiple elements within capacity building processes are displayed through the concepts 'engage', 'conversation', 'role', 'advocacy', 'social', and 'impact'. NPO-2 managers discussed a delicate two-fold approach of advocating to outside organizations by pushing them to develop more inclusive practices, while also emphasizing mutuality and the attainment of shared goals. External forms of collectivized knowledge-sharing permeate the innovative work of NPO-2, with strategies ranging from facilitating non-didactic dialogue within participatory workshop settings through to radical and subversive activities which deliberately maintain a "*productive tension... by constantly pushing [other organizations and government] to do more, to do things differently*" (Interviewee 1). These engagement strategies have produced tangible impacts that reverse inequitable practices and structural barriers. For example, their disability awareness training program became a government-mandated requirement for all organizations receiving public arts funding in their state. Another example is a state-of-the-art website that has raised public awareness in terms of the novel forms of digital accessibility and information sharing.

*Themes relating to Staff: 'open' and 'feel'*

The second largest concept, *'open'*, is linked to Staff, which also links to the theme *'feel'*.

The nearby concepts of *'interesting'*, *'different'*, and *'space'* point to the organization's internal diversity, evidenced by a large portion of NPO-2 staff with disabilities, mental health issues, or who are Deaf. Many staff express, and were observed to act from, a sense that being inclusive is not just a desirable trait, but a necessary one: *"I don't know if this is the right way to say this, but if people can't fit in here then they go – the 'fitting in' part is being accepting and open to people's differences"* (Interviewee 15).

With a staff base comprised of diverse voices and perspectives, the importance of dissenting views is valued and staff are encouraged to act as *"vocal critics"* (Interviewee 1) by displaying *"a boldness and an openness to have a conversation"* (Interviewee 19). One staff member recounted her experience of attending a conference run by NPO-2 prior to working for the organization, at which she openly criticized the organization:

*I stood up at the conference and went "Ra ra ra, winge, moan, winge, moan" about their summer programs: "Why don't you offer services in the summer?!" So this was the first time I met [the NPO-2 manager], and she came over after I'd made my comment and said, "Alright, where can we get a coffee? We want to help". And so together we set up these incredible summer workshops, she got funding, and we ran them for five years (Interviewee 15).*

Within NPO-2, a fluidity in terms of working roles and cross-pollination of ideas was apparent. The organization is described as *"not having a great deal of hard and fast structure"* (Interviewee 16), and this can be seen through the blurring of typical organizational roles; for example, both the board president and receptionist are involved in the design of various creative projects. The researcher discerned people's desire to contribute through an 'all hands on deck' purpose-orientation, rather than an overly prescribed role-orientation confining work objectives within narrow parameters. A number of staff described

this undercurrent to NPO-2 activities as a ‘service culture’ in which daily practices are oriented *“in service of a greater mission”* (Interviewee 1).

*Theme related to Clients: ‘place’ and ‘opportunity’*

Located in the top-right cluster of the map are the themes ‘place’ and ‘opportunity’. Of note, the concept ‘disability’ is very closely connected to ‘opportunity’ and so too is ‘local’ and ‘community’. This may emphasize the importance of innovative work involving people with disabilities which is embedded within local communities and neighborhoods, as this manager explains: *“We want to empower people with disability, but we also want to empower their communities – you have to do both”* (Interviewee 8). To do this, the organization draws upon ‘place’ as a concept in the design of programs by *“reimagining what is possible and opening the hearts and minds of people to possibility”* (Interviewee 12), which is a springboard for engagement via new spatially contingent relationships and activities. One such project was the co-design of a transportable, fully accessible arts venue constructed from recycled shipping containers which has enabled inclusive, high-profile cultural events to be held in previously inaccessible localities.

The researcher also spent time talking with artists with disabilities who are actively reimagining what is possible in their communities. For example, one artist in NPO-2’s career development program initiated an art exhibition as *“an advocacy project”* (Interviewee 3), employing people with disabilities to organize the event. Another artist has set up and manages an arts school in her local community, to not just prove her capacity to *“run a successful business”*, but importantly her venture is founded on personally-enacted empowerment principles: *“It was all about my health and wellbeing when I started to pursue my art, so I think I’m the ideal person to pass this on to others who are experiencing mental health issues or live with disability”* (Interviewee 5).

*Theme containing the ‘innovation’ concept: ‘time’*

The final theme in the NPO-2 concept map is ‘time’, and while this theme is not directly linked to any particular interviewee group, interestingly it is where the concept ‘innovation’ is located. This links to the agenda-setting of innovative programs at NPO-2 which is borne out of a view to long-term horizons of change. Often this requires extending out timeframes for projects, which the NPO-2 management team negotiates with project funders; in turn, their staff appreciate that *“taking time to deliver the best product is a risk, and I’m glad I’ve been supported in that”* (Interviewee 7). Many programs at NPO-2 have a minimum of two years creative development, with the aim to attain high quality and lasting impact rather than expediency of outcomes. This may be due to transformational change being described as a *“slow-burn... [in which] we’ve just got to be comfortable that we’re moving in a particular direction”* (Interviewee 13). In other words, the decision-making within socially innovative projects often moves towards a certain direction, with the understanding that how the steps will unfold is not easy to anticipate and that the impact is *“going to come much, much later”* (Interviewee 13).

#### **4.6 Discussion**

In this section, we intuitively iterate between the ‘surprising facts’ emerging from the practical (direct-field) observations and theoretical (non-field) observations. Through this practice-theory iteration, an incongruence between these two stages of observations is noticed and conclusions are drawn through the creation of testable explanatory hypotheses for explaining social innovation by disability NPOs (Taylor et al., 2018).

Our case studies reveal four ‘surprising facts’. First, the predicted influence of intensified organizational interdependency and institutional forces brought about by the

NDIS are evidently not the only or leading influence on the two NPOs' social innovation objectives. Instead, a plurality of antecedent factors appear to be important for driving social innovation, rather than one single or dominant factor. Second, both NPOs demonstrate a high level of managerial complexity in guiding organizational processes that can produce social innovations. Third, the development of social innovations does not appear to be the remit of a sole actor group; rather, it is highly participatory and requires enactment of multifarious individualized and collective behaviors. In some respects, this supports our earlier theoretical observations pertaining to resource interdependency in that social innovation involves actions by people/groups outside the manager's direct control (Pfeffer & Salancik, 2003). However, the plurality of foci in the Leximancer concept maps and the fact that the NDIS does not appear centrally, signify the need to consider additional theories beyond those initially predicted (i.e. 'resource dependence', 'institutional', and 'user innovation' theories). Finally, the finding that disability NPOs engage in social innovation to not only generate organization-level impacts (i.e. enhancing effectiveness and efficiency in line with their organizational objectives), but also, and more importantly, to attain system-level impacts, is a critical discovery to emerge from the direct field stage.

From the viewpoint of NPO managers, staff, and clients, the structural changes brought about by the NDIS are not only observed in terms of broader institutionalized funding mechanisms and government-led processes. Rather, they are concurrently experienced in intensely personal ways, with change occurring "from the bottom up" (Hallahan, 2013, p. 10) via the lived reality of everyday social practices and change processes occurring within organizational and community-based settings. The case study NPOs demonstrate a capacity to work at both broader and localized scales by adopting internally-directed capabilities (i.e. human-centered responses originating from the contributions of individuals through their unique interactions with/in the organization), *and* externally-



directed capabilities (i.e. directly linked with outside forces/opportunities and informed by a deep knowledge of systemic structures). Examples of this duality include NPO-1's targeted workplace program that *"provides new opportunities for people with disabilities to engage in meaningful work, which fundamentally transforms those local businesses and the way people in the community understand one another and interact"* (NPO-1 Interviewee 13). Another example is NPO-2's disability awareness training program which is designed to be a catalyst for broad-level change within mainstream (non-disability) sectors, however it goes about this via a process of individual realization. This occurs through each participant's direct personal engagement with disability and disability-led artistic expression (for example, all of the NPO-2 workshop facilitators are artists with disabilities), and by creating a transformative learning experience for the *"...person to arrive at that moment of realization, that 'Ah ha!' moment themselves, because that moment can't be forced. But once that's happened, you can't go back from that"* (NPO-2 Interviewee 13). This transformation in an individual's mental models propels them to instigate social change projects in their own organization which then diffuses to other organizations. This has resulted in a greater number of inclusive organizations now operating across the state.

By responding to and teasing out the implications of the above 'surprising facts', in conjunction with the array of distinctive practices and connection points found within the concept maps, we discover a variety of internally- and externally-oriented capabilities that disability NPOs deploy when developing social innovations. These capabilities are arranged in careful alignment to form five *Pivotal Capabilities*: transformational empathy, place-based relationing, diversity learning, paradoxical change-making, and complexity leadership. We hypothesize that the deployment of these five capabilities is a significant pathway by which NPOs develop what we term *Nonprofit Social Innovation (NSI)*. This abductively-derived concept of NSI is defined as a new service or process enacted by a disability nonprofit which

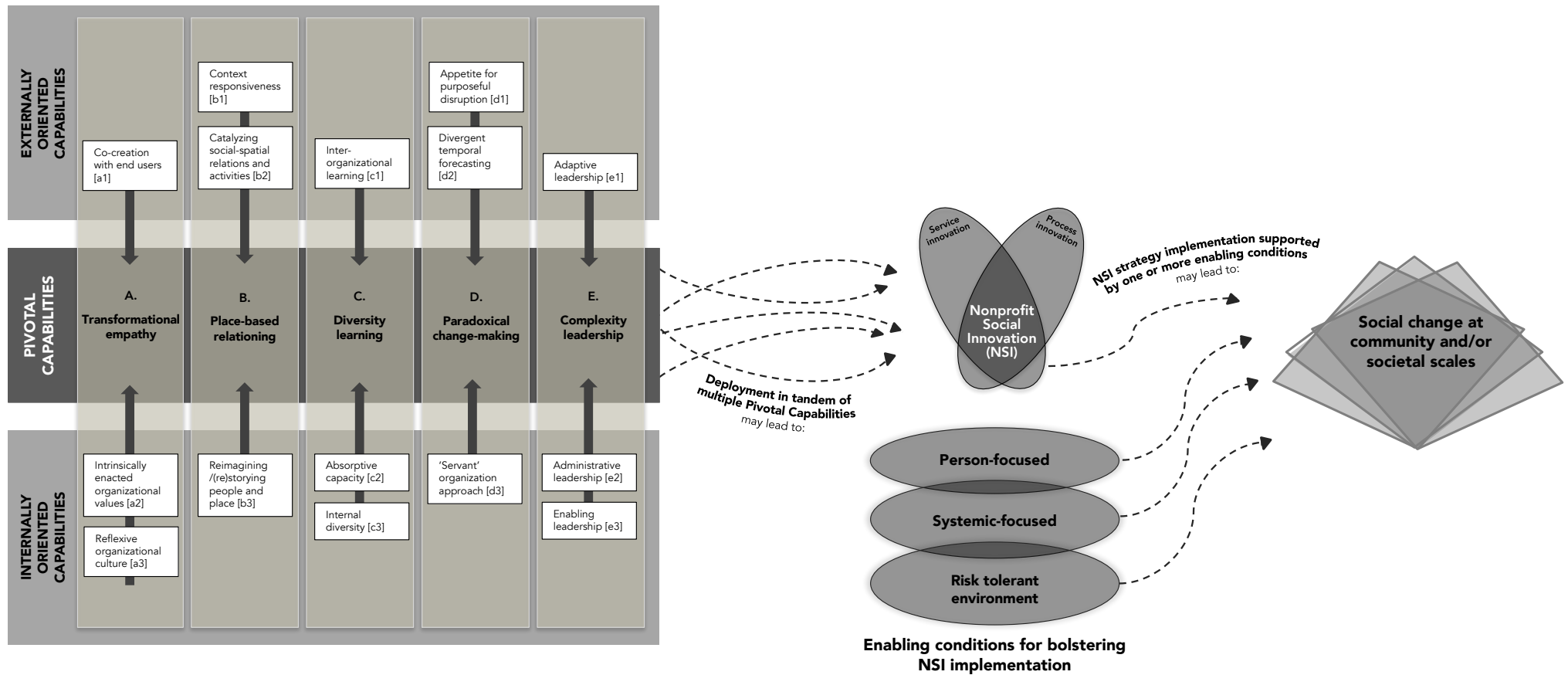
promotes the broader community's inclusion of people with disabilities, and thereby has the potential to achieve system-level (and not just organizational-level) impacts. Importantly, the theories underlying the five pivotal capabilities involve one pre-identified theory that was anticipated prior to the direct field stage (i.e. user innovation theory) and post-identified theories, i.e. self-determination theory, inclusive citizenship theory, open innovation, absorptive capacity, organizational ambidexterity, servant organization, and complexity leadership theory (CLT). Figure 4.3 presents the holistic Pivotal Capability Framework for NSI.

#### *Pivotal capability A: Transformational empathy*

This capability is predicated on the need for deep relatedness between people in which intrinsically enacted ways of empathizing, listening, and co-creating can lead to social innovation development. In line with von Hippel's (1986) user innovation theory, the findings of our case studies highlight the need for close relationships with end users of services by actively seeking their input, understanding their personal capabilities and ambitions, and working in accordance with the principles of rights, choice, citizenship and self-determination (Stainton, 2005). Self-determination theory outlines how individual actors make decisions and work in ways that are active rather than passive, fostering greater internalization and integration (Ryan & Deci, 2000). An approach based on reflexivity and participation also involves recognizing different influences and ways of being that determine how individuals think and behave, which can lead to transformative modes of seeing circumstances from different viewpoints.

#### *Pivotal capability B: Place-based relationing*

This capability involves the forging of new situational relationships and socio-political



**Figure 4.3: Capabilities for social innovation development in disability NPO contexts**

activities (either individually or collectively driven) via localized trajectories. The theoretical lens of inclusive citizenship (Kabeer, 2005) is used to consider community engagement and civic rights and duties from the viewpoint of excluded groups in society. Redressing what are often normalized barriers to community participation requires reimagining ‘place’ in all its forms, which according to this NPO-2 manager

*...is an important aspect of social innovation. Because it provides the capacity to imagine different ways forward, which can be a liberating experience for community. It's about physical place, social place, the habitual, as in what we're doing in our day-to-day lives, and it's also about imagined place, and deep history (Interviewee 12).*

Central to this capability is creating opportunities to (re)story the lives of people with disabilities so as to challenge the “absolute power” (Morris, 2001, p. 6) held by non-disabled people in terms of the representation of impairment. Bringing such stories to light enables communities to contemplate, frame, and enact new socio-spatial realities, as the disabled writer Lois Keith (2000, p. 9) explains: “I look at the world differently and there are issues and ideas, apparently invisible to others, which are very real to me”.

#### *Pivotal capability C: Diversity learning*

Diversity learning blends multiple sources and modes of learning occurring within and beyond the organization. The externally-oriented element involves engaging in the cross-fertilization of ideas via networks of diverse actors. The theory of open innovation (Chesbrough, Vanhaverbeke, & West, 2006) underscores the importance of the horizontal inflows and outflows of knowledge which can lead to inter-organizational learning by NPOs as they interact with a wide network of stakeholders. The internally-oriented capabilities are based on the theory of absorptive capacity, namely, the organization’s ability to assimilate and apply new forms of knowledge (Cohen & Levinthal, 1990). Internal diversity involves

individuals possessing different knowledge and experiences to ensure the organization has a level of requisite variety matching its environment (Ashby, 1962).

#### *Pivotal capability D: Paradoxical change-making*

The fourth capability encapsulates how an organization steers its activities between seemingly incongruent ways of planning, working, and influencing. It involves NPOs maintaining an exploitation/exploration balance and working in ways that are consistently inconsistent (Benner & Tushman, 2003). Goldstein, Hazy and Silberstang (2010) describe the need to simultaneously focus on the discontinuous (i.e. shorter-term or abrupt) and the continuous (i.e. longer-term or smooth) pathways, whereby the first pathway “represents a punctuated arising of social innovation, whereas pathway [two] reflects the path to continuous transformation” (p. 108). For disability NPOs, these disparate modes can manifest by operating as a ‘servant organization’, characterized by members authentically espousing a service orientation and the virtue of humility (Sousa & van Dierendonck, 2017), and also displaying deliberate action-driven behavior involving unpredictable, high-risk change in the form of “audacious experiments” (Goldstein et al., 2010, p. 108).

#### *Pivotal capability E: Complexity leadership*

Complexity Leadership Theory (CLT) provides the conceptual frame for the fifth and final pivotal capability. CLT focuses on the collective behaviors enabling creativity and adaptability when complex adaptive systems (CAS) dynamics are fostered within bureaucratic environments (Uhl-Bien, Marion, & McKelvey, 2007). It is comprised of three sub-capabilities: (1) adaptive leadership, involving informal and dynamic interactions occurring among agents; (2) administrative leadership, involving the formal structuring of activities, allocating of resources, and vision-building by managerial agents; and, (3) enabling

leadership, the mediatory function harnessing the dynamic tension between the emergent entrepreneurial system (i.e. adaptive leadership) and the formal operational system (i.e. administrative leadership). The overall importance of CLT is its recognition that the roles of CAS and structured forms of coordination are intimately entwined in bureaucratic organizations such as disability NPOs (Uhl-Bien et al., 2007).

#### *Outcome of NSI: Social change*

The potential outcome of NSI, as shown in Figure 4.3 based on the findings of our case studies, is social change at the community and/or societal level, defined as a “process of change in the social structure of a society, its underlying institutions, cultural patterns, corresponding social actions and conscious awareness” (Zapf, 2003, p. 427). The inseparability of intersecting individualistic acts and structural forces (Giddens, 1984) requires that the successful implementation of NSIs is bolstered by the following enabling conditions: (a) person-focused approaches, i.e. individually-directed and deeply ‘felt’ by those involved; (b) systems-focused approaches, i.e. expansive and working with/against broad structural forces, and; (c) a risk tolerant environment, i.e. recognizing the importance of uncertainty and failure. We posit that these conditions are important for enabling NPOs to successfully implement NSIs and reflect the importance of macro-, mezzo- and micro-responses (Stainton, 2002) when working towards the inclusion of people with disabilities in society.

#### *Formulation of testable explanatory hypotheses*

Stemming from the NSI framework, the following four testable explanatory hypotheses are generated:

- **Hypothesis 1:** The pivotal capabilities could lead to NSI development.

- **Hypothesis 2:** Not all the five pivotal capabilities may be required for NSI, and the choice of which pivotal capabilities to deploy is likely to depend on the specificity of organizational and environmental contexts.
- **Hypothesis 3:** Successful NSI development is anticipated to be a mechanism by which organizations may alter broader community and societal structures and thus contribute to social change.
- **Hypothesis 4:** Certain enabling conditions may strengthen the potential for an NSI to generate high levels of beneficial outcomes in terms of promoting social change at community and/or societal scales.

As the ‘end point’ of the abduction process, these tentative working hypotheses represent plausible, but not yet logically necessary, conclusions (Kovács & Spens, 2005). As such, they are seen as ‘hopeful suggestions’ for explaining the phenomenon of social innovation in disability NPO contexts, and need to be verified through subsequent empirical testing.

## 4.7 Conclusion

This study reveals the practices occurring in two disability NPOs as they develop and implement social innovations during a period of turbulent change. Through the abductively-led research processes, the purposeful coalescence of the theoretical realm with the practical day-to-day context of NPOs was instrumental in formulating instructive insights. Our inquiry uncovers a number of surprising patterns of emergence in terms of how NPOs tackle complex, multi-faceted social issues through the development of Nonprofit Social Innovations (NSIs), as well as the conditions that fruitfully support these strategies by enhancing their potential to garner social change at the community and/or societal level.

While the NDIS is catalyzing a transformative period of change for the Australian disability sector, our findings suggest that this structural lever may not paint a full picture. As

Stainton (2017, p. 1) emphasizes, incorporating person-centered and micro-level realities together with changes across macro-level structures, is critical for achieving full inclusion of people with disabilities, as “inclusion cannot be legislated or mandated... ultimately it is something that must be felt rather than enforced”. Accordingly, the social innovations developed by the disability NPOs in our study not only engage actively with overarching systemic structures, but at the same time they are also influencing the social system from the ground up (Hallahan, 2013), often in intensely personal, unexpected, and even radical ways.

In recognizing that the breadth and complexity of moving towards full inclusion for people with disabilities is a journey that is anything but linear, the five pivotal capabilities involved in NSI encompass dual internal/external orientations along with multi-leveled enabling conditions. Future testing of these ‘working’ hypotheses (Taylor et al., 2018) may further integrate such understandings within emerging social innovation theory. Importantly, our findings also create new practice-theory synergies by highlighting how NPO practitioners, together with their clients and stakeholders, are able to harness the complex dynamics of social innovation for societal impact.



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## Chapter 5

### **Multifarious means: Organizational pathways for social innovation and societal impacts in disability nonprofits**

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This chapter is currently under review by *Group & Organization Management*.

This is a full version of the paper entitled, ‘Disruptors in a time of disruption: Social innovation in the Australian disability sector’, which was presented at the 9th International Social Innovation Research Conference (ISIRC) in December 2017.

The documents that supported the conduct of the survey and follow-up interviews with CEOs (detailed in this chapter) are provided as Appendices 10 to 14. These include:

- Information Sheet - Phase 2 (Appendix 10)
- Cover Letter to NPOs - Phase 2 (Appendix 11)
- Survey Instrument - Phase 2 (Appendix 12)
- Reminder Letter for Survey - Phase 2 (Appendix 13)
- Interview Schedule for CEO Follow-Up Interviews - Phase 2 (Appendix 14)

The above documents received approval from the Tasmanian Social Sciences Human Research Ethics Committee (HREC), as part of the data collection procedures associated with this project (project number H0015189).

#### **5.1 Abstract**

Using data from a sample of 301 Australian disability nonprofit organizations (NPOs), this study applies configurational thinking to identify combinations or ‘recipes’ of organizational capabilities that lead to Nonprofit Social Innovation (NSI, defined as a new service or process that promotes the broader community’s inclusion of people with disabilities), and examine

whether NSI is a sufficient condition for high societal impacts to be achieved. The conceptualization and components (including pivotal capabilities and enabling conditions) of the NSI framework were developed in our previous research through a two-month researcher-in-residency at two disability NPOs. In this study, we employ fuzzy-set qualitative comparative analysis (QCA) to identify recipes for NSI development and achievement of its high benefits, and verify the results using data from 14 in-depth interviews with CEOs. The analyses reveal several recipes (varying by organizational size and geographical location) that NPO managers can deploy to effectively develop and implement NSI. The findings show that NSI on its own is not sufficient for high societal impacts to occur, and certain enabling conditions are required to enhance and strengthen its impacts. Specifically, high levels of societal benefits from NSI occur when organizations adopt diverse perspectives, and either embrace person-focused approaches or operate in a risk tolerant environment. The findings of this study provide valuable linkages to managerial practices and have the potential for advancing theory of social innovation in nonprofits.

## **5.2 Introduction**

Organizations in all sectors can pursue new ways of making society more equitable and sustainable. In the Australian disability sector, nonprofit organizations (NPOs) are facing several challenges due to the reorganization of external funding structures and the rapid marketization of services (Connellan, 2014). Yet despite these challenges, many NPOs are allocating resources to develop and implement social innovations that create social value with the potential to solve long-standing social problems (Green & Mears, 2014). In broad terms, social innovation is defined by Phillips, Deiglmeier and Miller (2008, p. 39) as “a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than

private individuals”. In this study, we explore the role of social innovation as a mechanism used by disability NPOs as they go beyond improvements to service provision in order to improve the equitable functioning of society via radical shifts in thinking, relating, and operating.

Despite the potential and current popularity of the concept of social innovation (Pol & Ville, 2009), research on this topic remains in a pre-theoretical stage of development (Ayob, Teasdale, & Fagan, 2016). This is partly because most research, based on exploratory case studies, has been unable to investigate the full range of potential factors that can influence social innovation and the role of context on outcomes (Howaldt & Schwarz, 2017; Taylor, Torugsa, & Arundel, 2018). Questionnaire-based research on populations of potential social innovators has been outnumbered by exploratory approaches (Phillips, Lee, Ghobadian, O'Regan, & James, 2014), with a prevalence of ‘feel-good’ case studies (Chalmers, 2012). Consequently, there is a lack of robust empirical evidence for practitioners on which organizational capabilities can assist social innovation (Lettice & Parekh, 2010), and the level of impact that can be feasibly attributed to an organization’s innovative efforts (Davies, Mulgan, Norman, Pulford, Patrick, & Simon, 2012).

The objectives of this study are to contribute to the theory and practice of social innovation through a representative survey of the Australian disability services sector. The survey questionnaire builds on our prior findings of two NPO-based ‘researcher-in-residences’ during 2015-2016 that used the abduction process described in Taylor et al.’s (2018) article and that led to the conceptualization and development of the ‘pivotal capability’ framework for *Nonprofit Social Innovation (NSI)*<sup>1</sup>, i.e. a type of social innovation specifically enacted by a disability nonprofit that promotes the broader community’s inclusion of people with disabilities and that has the potential to achieve systems-level (not just organization-level) impacts. In the current study, we focus on this type of social

innovation, and use fuzzy-set qualitative comparative analysis (QCA) to identify combinations (or ‘recipes’) of pivotal capabilities for high-level NSI development in the 301 disability NPOs surveyed, as well as to examine if NSI is a sufficient condition for high levels of societal impacts to be achieved. To verify and gain a more in-depth understanding of the QCA findings, semi-structured interviews were also carried out with 14 CEOs who participated in the survey.

Our findings uncover several equally effective (equifinal) recipes for generating and benefiting from social innovation in disability NPO contexts, contributing to research on the characteristics and impacts of this emerging phenomenon. Specifically, we find that (1) NSI can be reached through several combinations of capabilities; (2) these configurations are context-dependent, differing between large and small NPOs and those based in metropolitan and regional areas; and (3) obtaining high-level outcomes from successful implementation of NSI requires fostering several enabling conditions. These insights hold significance for NPOs facing a future shaped by critical societal challenges and untold potentiality.

### **5.3 Conceptualizing social innovation in disability nonprofits**

The nexus of social innovation and organizational contexts forms the central focus of our study. To explore this, we look both broadly and deeply at the context of disability NPOs operating in Australia, currently grappling with the Australian government’s implementation of the National Disability Insurance Scheme (NDIS) which heralds a significant shift in the funding of disability support services and intensifies the need for social innovation development in this sector (Green & Mears, 2014). For disability NPOs, the design and implementation of social services for people with disabilities calls for not only increased organizational effectiveness and efficiency, but also the capacity to operate in holistic terms to apply knowledge for the benefit of the community or society (Hallahan, 2013). We need to

better understand how these organizations contend with complex external environments while developing innovations that meet the competing needs of multiple stakeholders and volatile funding (Connellan, 2014). In addition, NPOs must manage internal complexity which stems from combinations of interdependent parts (i.e. individuals and groups engaging in routines) whose outcomes (i.e. social innovations) cannot be adequately inferred by analyzing the parts in isolation (Meyer, Tsui, & Hinings, 1993).

Studying new social phenomena is likely to encounter conceptual ambiguity, and the complex concept of social innovation is no exception (Howaldt & Schwarz, 2017). This ambiguity calls for research that views social innovation as a nuanced and contextualized process. Based on the results of our previous research involving a two-month ‘researcher-in-residency’ at disability NPOs in late 2015/early 2016, which among other data collection processes involved extensive field observations (Taylor et al., 2018), the research team developed an abductively-derived concept of Nonprofit Social Innovation (NSI). This concept is defined as *a new or substantially improved service or process enacted by a disability nonprofit that promotes the broader community’s inclusion of people with disabilities and has the potential to achieve systems-level (not just organization-level) impacts*. The details of this definition differ from broader definitions of social innovation which apply to all sectors (e.g. Mulgan & Pulford, 2010; Nicholls & Murdock, 2012) or definitions which give more emphasis to organizational effectiveness or efficiency objectives (Phills et al., 2008).

Our NSI framework, grounded in configurational thinking (Fiss, 2007; Ragin, 2008) and complexity theory (Burnes, 2005; Byrne, 2005), comprises two sub-frameworks: the ‘pivotal capabilities’ framework for NSI development (Figure 5.1), and the ‘enabling conditions’ framework for achieving high levels of benefits (in terms of social change within systems) from NSI implementation (Figure 5.2). Following Taylor et al.’s (2018) step-by-



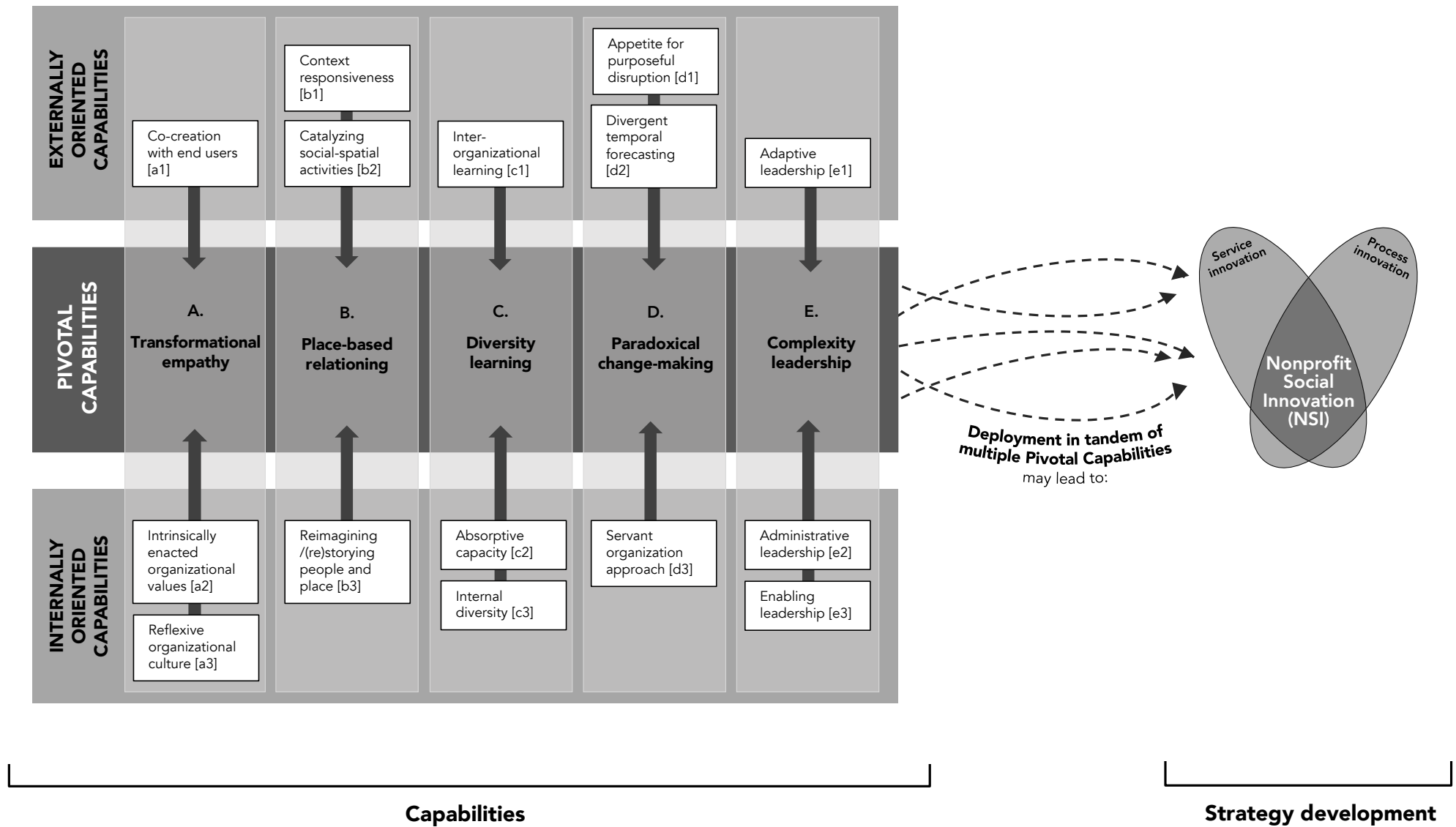
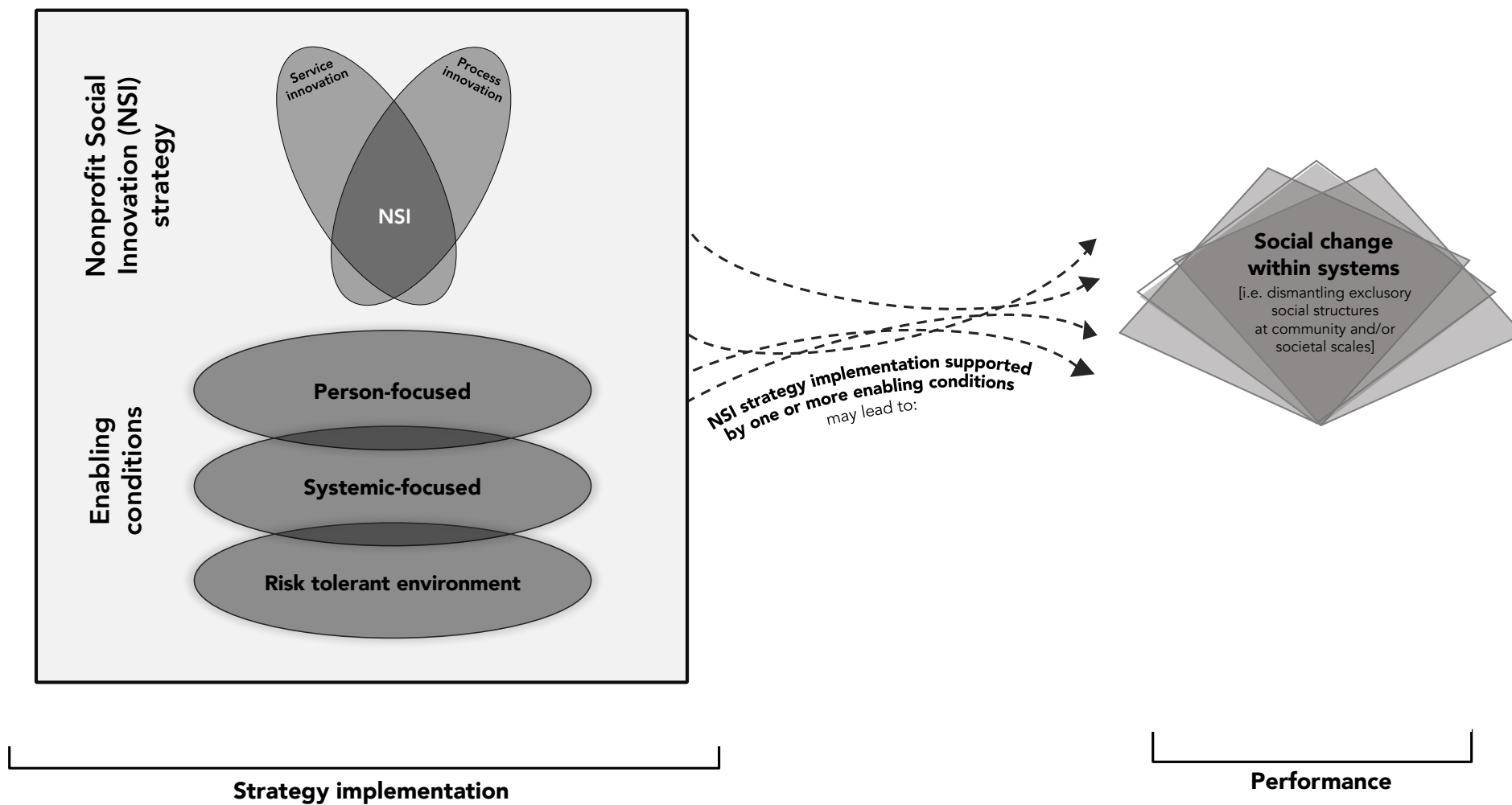


Figure 5.1: Pivotal capabilities for high-level NSI development



*Figure 5.2: Enabling conditions for high levels of NSI beneficial outcomes*

step ‘abduction’ process, our NSI framework generated several ‘*working*’ (testable and explanatory) hypotheses. These working hypotheses, arising from the abductive organizational case studies previously carried out by the research team, are listed in the next sections, and will be tested and verified using a whole-of-sector lens in the current study.

### *Capabilities for development of Nonprofit Social Innovation (NSI)*

The five ‘pivotal’ capabilities within the NSI framework are shown in Figure 5.1. These pivotal capabilities (each incorporating externally- and internally-oriented sub-capabilities) are: transformational empathy, place-based relationing, diversity learning, paradoxical change-making, and complexity leadership. A brief overview of each pivotal capability, including its internal elements and underlying theories, is provided below.

*Transformational empathy:* This capability entails high levels of empathy espoused by organizational actors and the upholding of human rights principles. Transformational empathy is divided into three dimensions (sub-capabilities). The first is co-creation with end users that directly involves people with disabilities through processes of user innovation (von Hippel, 1986). The second dimension pertains to individuals’ intrinsic alignment with organizational values, leading to enhanced relatedness and a joint desire to seek out novelty and challenges that accord with these values (Ryan & Deci, 2000). The third dimension is a reflexive organizational culture which relies on self-motivated behaviors from staff and clients, in which both the growth of the NPO and of participating individuals are synergistically and proactively pursued (Ryan & Deci, 2000).

*Place-based relationing:* This capability involves facilitating everyday forms of relationing that can transform the lived reality of local spaces and ‘community life’, ensuring they are inclusive of people with disabilities (Kabeer, 2005). Within this capability, the first dimension is context responsiveness. This involves understanding and responding to locally

embedded needs and opportunities. Catalyzing social-spatial activities, as the second dimension within this capability, deconstructs the mechanics of social exclusion by creating new inclusive practices and spaces in community. The third dimension involves (re)storying people and place by creatively giving expression to, and acknowledging, what each individual person is able to do and to be (Nussbaum, 2012).

*Diversity learning:* This pivotal capability pertains to an organization's ability to acquire diverse informational resources. The first dimension, inter-organizational learning, refers to the NPO's engagement in knowledge networks through processes of open innovation (Chesbrough, 2006). For example, NPOs may co-develop social innovations with more technically proficient partners (Chalmers & Balan-Vnuk, 2012). The second dimension is absorptive capacity (Cohen & Levinthal, 1990), which underscores the importance of effectively assimilating newly acquired knowledge inputs. The third dimension, internal diversity, focuses on developing and making use of diverse internal knowledge sources.

*Paradoxical change-making:* Paradoxical outlooks and ways of operating are strategically linked within this pivotal capability. The first dimension is purposeful disruption, which refers to an NPO's appetite for disruptive approaches through audacious experimenting (Goldstein, Hazy, & Silberstang, 2010). The second dimension, divergent forecasting, is the capacity to concurrently focus on short- and long-term activities (Gupta, Smith, & Shalley, 2006). The third dimension within this pivotal capability is the espousing of a 'servant' organization approach, i.e. working in accordance with the virtue of humility (Laub, 2010).

*Complexity leadership:* This final pivotal capability is based on Complexity Leadership Theory (CLT) (Uhl-Bien, Marion, & McKelvey, 2007), which holistically integrates traditional bureaucratic notions of formal coordination with the dynamic and creative learning behaviors fostered amongst complex adaptive systems (CAS) agents.

According to CLT, leadership needs to perform the system function of responding creatively to critical challenges via informal emergence, which is the first dimension of adaptive leadership. At the same time, administrative leadership (the second dimension) emphasizes top-down, highly structured bureaucratic frameworks. The third dimension is enabling leadership, which is a form of leadership that enables CAS to optimally address creative problem solving within a bureaucratic organizational context (Uhl-Bien et al., 2007).

Stemming from our NSI-development framework (Figure 5.1), the following two *working* hypotheses are generated:

- ***Hypothesis 1:*** *A complex interplay of pivotal capabilities could lead to NSI development.*
- ***Hypothesis 2:*** *Not all the five pivotal capabilities may be required for NSI, and the choice of which pivotal capabilities to deploy is likely to depend on the specificity of organizational and environmental contexts (e.g. size and location).*

With regard to Hypothesis 2, the NSI-based strategic behaviors of large and small NPOs are likely to be distinct. The literature suggests that large NPOs focus on strategies for harnessing market forces and ‘scaling up’ initiatives (Crutchfield & Grant, 2012) via long-established routines and a general-service-to-the-community ethos (Hammack, 1995). In contrast, small NPOs focus on achieving results at local scales via close association with local communities, yet are more likely than large NPOs to face issues with volunteer recruitment, fundraising, and a need for greater back-office and technical infrastructure (Gronbjerg & Nelson, 1998). That said, in small NPOs, resource scarcity could encourage creativity and a lack of organizational hierarchy could promote greater adaptability for problem solving (Crutchfield & Grant, 2012). Apart from the size-related strategic behaviors, many social innovation scholars have identified a territorial dimension that ties this

phenomenon to both urban and rural development (e.g. Butkevičienė, 2009; Gerometta, Hausermann, & Longo, 2005; Neumeier, 2012). In the Australian context, there is a significant urban/rural divide, with 66% of the population living in five major cities, while the remaining population live in smaller cities or in rural and remote areas (Australian Bureau of Statistics, 2014). NPOs in regional or remote areas are likely to have a better understanding of local problems and how to tackle them (Butkevičienė, 2009). However, they may have to contend with a ‘tyranny of distance’, with the availability of resources and partnership opportunities falling outside their local areas (Barton, Robinson, Llewellyn, Thorncraft, & Smidt, 2015). In contrast, NPOs in metropolitan areas are more likely to establish partnerships, including cross-sectoral partnerships (Barraket, Collyer, O’Connor, & Anderson, 2010), that shape the way they innovate.

#### *Enabling conditions for enhancing societal impacts of Nonprofit Social Innovation (NSI)*

As observed from the organizational case studies previously carried out by the research team, NSIs with high levels of beneficial impacts are likely to result in social change at several social levels, including the realization of individual agency and freedoms for people with disabilities, the transformation of social actions and relationships across sectors, and the restructuring of institutions to make them more inclusive (Howaldt & Schwarz, 2017; Westley, Antadze, Riddell, Robinson, & Geobey, 2014; Zapf, 2003). Attaining multi-level social change is likely to require enabling conditions within organizations that complement and reinforce NSI strategies and consequently generate high-level beneficial outcomes (i.e. more encompassing or deeper level impacts than average). The findings from our ‘abduction-based’ case studies led to the identification of three types of enabling conditions for enhancing NSI impacts: person-focused, systemic-focused, and a risk tolerant environment (see Figure 5.2).

Person-focused enabling conditions underlie inclusive, human-centered models of organizing based on the direct instigation and direction of initiatives by individuals with disabilities. They are fostered by organizational approaches that support individualized choice-making as a core ethos in line with the concept of a person's autonomy to pursue their own ideas and purposes (Stainton, 2000).

Systemic-focused enabling conditions involve the intentional adoption of a structural or expansive lens for devising strategic responses to social problems, for instance when an organization experiments at the level of the system (Davies et al., 2012) by integrating a diverse array of perspectives and knowledge sources (Laursen & Salter, 2006) as part of NSI implementation.

A high level of organizational risk tolerance could be required for social change that disrupts existing institutions (Howaldt & Schwarz, 2017). This can be identified through a willingness to develop and nurture an acceptance of high-risk activities (Jankel, 2011) and an organizational culture that views failure as an accepted part of learning.

Stemming from our NSI-impact framework (Figure 5.2), the following two working hypotheses are generated:

- ***Hypothesis 3:*** *Successful NSI development is anticipated to be a mechanism by which organizations may alter broader community and societal structures and thus contribute to social change.*
- ***Hypothesis 4:*** *Certain enabling conditions may strengthen the potential for an NSI to generate high levels of beneficial outcomes in terms of promoting social change at community and/or societal scales.*

## 5.4 Methodology

### *Data and method*

The study population consisted of 735 Australian disability NPOs that registered with the national government's NDIS scheme and were listed on the Australian Charities and Not-for-profits Commission (ACNC) website. As mentioned above, the survey instrument was developed using the findings from two NPO 'researcher-in-residences' conducted in our previous research during 2015-2016. The researcher employed the Taylor et al.'s (2018) 'abduction process' by residing at the NPOs for approximately two months full-time and conducting 52 semi-structured interviews with CEOs, senior managers, service managers, clients, and external stakeholders, as well as making observations *in situ* to gain a direct experience, or 'sense', of the field under study (Taylor et al., 2018). The resulting survey instrument was evaluated through face-to-face cognitive interviews with 16 CEOs or senior managers from the Australian disability sector to ensure that the survey questions measured *social innovations* in disability NPOs (not *innovations* in *social* organizations), and that all potential respondents could understand and interpret the questions correctly (Wills, 2004). The survey was administered by mail during March-June 2017 and sent to the CEO or senior manager of the organization. The questionnaire included a range of self-perceived measures regarding capabilities for and outcomes of socially innovative services and/or processes in the previous two years (since 1<sup>st</sup> March 2015), and open-ended qualitative questions to allow respondents to make subtle distinctions in their answers. The final question asked respondents if they would be willing to engage in a follow-up interview.

In total, the survey obtained 308 completed responses (representing 42% of the total population), of which 301 (98%) reported the introduction of at least one new service or process to either "increase positive outcomes for the organization's clients" or "improve the organization's financial or organizational capacity" (i.e. social innovation with organization-



level impact). Since this level of social innovation provides a basis for NSI with systems-level (societal) impact and given that the questions on NSI benefits were only asked of NPOs that were socially innovative at least at the organizational level, we restrict the analyses to a maximum of 301 socially innovative NPOs (in some analyses cases are lost due to missing values). The valid organizations ranged from small community-based or specialized associations to large multi-service organizations. The organizations varied substantially by size, from zero full-time equivalent (FTE) staff (i.e. entirely volunteer-run), to several organizations with over 1,000 FTE staff. Over half of the responding NPOs have less than 50 FTE staff. Approximately half of the responding NPOs were metropolitan-based organizations and half based in regional or remote regions.

Of the 301 innovative NPOs that responded to the survey, 28 per cent indicated their willingness to participate in a follow-up interview. Given time and resource constraints, 14 survey respondents whose organization was deemed to be an illustrative case (based on the qualitative information provided in the survey), were selected for semi-structured follow-up interviews. The interviewees comprised four CEOs of small regional/remote NPOs, five CEOs of small metropolitan NPOs, and five CEOs of large metropolitan organizations. Each interview took between 45-60 minutes. The results are used to tell a more complete and nuanced story of how NSI unfolds in particular NPO settings.

#### *Data analyses: Fuzzy-set qualitative comparative analysis (QCA)*

This study applies QCA's configurational thinking (Fiss, 2007; Ragin, 2008) to capture the heterogeneity, context-specificity, and casual complexity<sup>2</sup> underlying the development and implementation of social innovations in 301 Australian disability NPOs. The use of QCA's configurational thinking allows us to: (1) identify how multiple factors combine into distinct *recipes* to result in a NSI and its high-level benefits; (2) evaluate the presence of multiple

'*equifinal*' recipes linked to NSI; and (3) assess whether an individual factor in a recipe can contribute positively, negatively, or not at all to the development of beneficial outcomes of NSI (Ragin, 2000, 2008; Woodside, 2010).

In this study, we use fuzzy-set QCA to perform two analyses of the survey data. The first (*QCA Analysis 1*) identifies different combinations of pivotal capabilities and contextual factors (i.e. organizational size and location) that could result in high-level NSI development. The second (*QCA Analysis 2*) determines the combinations of enabling conditions, together with an NSI strategy, that could result in high-level outcomes/impacts of NSI.

QCA combines within one analysis qualitative reasoning (analyzing data by cases i.e. organizations/contexts) and quantitative testing (producing the minimum possible number of attribute combinations) (Torugsa & O'Donohue, 2016). The method performs a systematic cross-case analysis by modeling relationships among attributes or factors in terms of set membership. This involves calibrating scores from 0 for full non-membership to 1 for full membership, and calculating all possible combinations of binary states (presence or absence) of predictors for a specified outcome (Ragin, 2000, 2008).

The QCA process involves the generation of truth tables depicting the total number of fuzzy set configurations, with the number of rows determined by the number of attributes in the analysis ( $2^k$ ). *QCA Analysis 1* contains seven attributes (two contextual factors and five pivotal capabilities) resulting in 128 ( $2^7$ ) rows, and *QCA Analysis 2* comprises four factors (a high-level NSI plus three enabling conditions), which results in 16 rows ( $2^4$ ). The next stage is the reduction of the truth table by setting the frequency thresholds and consistency levels. For *QCA Analysis 1*, the frequency cut-off was set to 3 and the consistency cut-off was 0.86; for *QCA Analysis 2*, the frequency cut-off was set to 4 and the consistency cut-off was 0.78. While frequency thresholds vary depending on the nature of the evidence and the total number of cases in the study, it is recommended to use a consistency value not less than 0.75

(Ragin, 2008). Lastly, through a calibration process we transformed each of the variables to a scale over the interval (0, 1), with 0 for full non-membership, 1 for full membership, and 0.5 for the crossover point of maximum membership ambiguity, i.e. indicating whether an organization is ‘more in’ or ‘more out’ of a set (Ragin, 2008). The minimum, maximum, and 50<sup>th</sup> percentile (i.e. median) of each scale represents the qualitative threshold values for calibrating cases as fully out, fully in, or at the crossover point.

#### *Variables in the QCA Models*

The exact quotations are used below for relevant survey questions.

#### *Outcome variables: NSI development and NSI outcomes*

The outcome variable for *QCA Analysis 1*, **high-level NSI development**, was measured using two statements (one for services and the other for processes) that asked if the respondent’s organization had implemented “a new or substantially improved service [process] to promote the broader community’s inclusion of people with disabilities”. For each statement, respondents were asked to rate the level of significance for the service’s [process’s] expected “level of impact in terms of enhanced responsiveness and inclusion”, using a four-point scale (0= no, 1= low, 2= medium, and 3= high). The variable equals the sum of these two items, with values ranging from 0 (calibrated as fully out) to 6 (calibrated as fully in) and a crossover (median) value of 4 (values above are set as high-level NSI development). This variable was also included as a factor in *QCA Analysis 2*.

The outcome variable for *QCA Analysis 2*, **high-level outcomes of NSI**, was measured using four items on the positive effects of NSI implementation for social change (0= no effect, 1= ‘minor’ positive effect, and 2= ‘major’ positive effect). These items include: 1) “increased opportunities for clients to make a direct and positive impact in their community”, 2) “more inclusive and accessible organizations and spaces in communities,

ensuring full rights and participation of people with disabilities”, 3) “enactment of a broader disability and human rights movement, leading to social change across different levels of society”, and 4) “new synergies and active relationships that cross sectors, localities, or jurisdictional boundaries”. The variable equals the sum of these four items, with values ranging from 0 (calibrated as fully out) to 8 (calibrated as fully in) and a crossover value of 5 (values above are set as high-level outcomes of NSI).

#### *Variables of pivotal capabilities for NSI development*

As shown in Figure 5.1, the pivotal capability of **transformational empathy** was measured using the overarching ‘[A] transformational empathy’ five-point scale item – “our staff are deeply committed to working in accordance with progressive values that are shared by our clients and that align with a disability and human rights framework” (1= strongly disagree, 2= disagree, 3= neither agree/disagree, 4= agree, and 5= strongly agree) – multiplied by the sum of the values of the three respective sub-capabilities, each on a five-point scale (1= never, 2= rarely, 3= sometimes, 4= often, and 5= always). These three sub-capabilities (with the aggregate values ranging from 3 to 15) include: [a1] *co-creation with end users*, measured using “our organization finds out about each individual client’s capabilities, knowledge, and aspirations to work out the best ways to provide services” and “our organization uses formal mechanisms to engage clients in designing new services and initiatives” (and calculating the average value of those two items); [a2] *intrinsically enacted organizational values*, measured using an item “rather than play ‘lip service’ to our organization’s values, our staff live by the values”; and [a3] *reflexive organizational culture*, measured using one item “at staff meetings, managers and staff can put forward critical views and have frank conversations about what is working and not working”. The final aggregate values for this variable, which were observed from the actual minimum/maximum data values, ranged from 27 (calibrated as fully out) to 75 (calibrated as fully in), with a crossover/median value of 59.

For the pivotal capability **place-based relationing**, the overarching '*[B] place-based relationing*' five-point scale item – “we work with clients to challenge entrenched forms of exclusion or discrimination by transforming community spaces into accessible and inclusive spaces” (1= never, 2= rarely, 3= sometimes, 4= often, and 5= always) – was multiplied by the sum of the values of the three relevant sub-capabilities. These sub-capabilities used the same five-point scale as per above and had aggregate values ranging from 3 to 15. The sub-capabilities include: [b1] *context responsiveness*, measured using an item “we implement programs that are adapted to the distinctive local characteristics of the regions/localities where we work”; [b2] *catalyzing social-spatial activities* measured using an item “we open up access to inclusive and supportive spaces in our clients’ local communities so they can actively participate in community life”; and [b3] *reimagining/(re)storying people and place* measured using the item “we provide opportunities and outlets for people with disabilities to be creative, express who they are, and to openly tell their stories of significance and meaning”. The final aggregate values for this variable, based on the actual minimum/maximum data values, ranged from 6 (calibrated as fully out) to 75 (calibrated as fully in), with a crossover point of 44.

The third pivotal capability, **diversity learning**, was measured based on the overarching variable '*[C] diversity learning*' five-point scale item “our organization accesses networks of diverse organizations and stakeholders to jointly develop solutions to disability-related issues at a systemic level” (1= never, 2= rarely, 3= sometimes, 4= often, and 5= always). This item was multiplied by the sum of values of the three respective sub-capabilities. Sub-capability [c1] *inter-organizational learning* was measured using the average value of the two items “we work closely with other organizations, both within and beyond the disability sector, to learn and collaborate on new service delivery models that would be difficult (or even impossible) to do on our own”, and “we retain membership with

peak bodies, such as National Disability Services (NDS) and/or the relevant national or state Council of Social Services (COSS)”, with each item using the five-point scale as per above. The sub-capability [c2] *absorptive capacity* was measured using the average value of the two items “our staff actively search for external sources of knowledge (e.g. through discussions with other organizations, attending conferences etc.) that are useful for our organization’s innovative activities”, and “when our staff gain new knowledge from external sources, they are actively encouraged to share this new information internally”, also using the above five-point scale. The third sub-capability, [c3] *internal diversity*, was measured using the average value of the following two items: “our organization values diversity in the workplace and maintains a staff base with diverse skillsets, knowledge, and experience” based on a five-point scale (1= strongly disagree, 2= disagree, 3= neither agree/disagree, 4= agree, and 5= strongly agree); and “to the best of your knowledge, what percentage of your organization’s staff live with a disability or mental health issues or are Deaf or hard of hearing?” which used a six-point scale (“None” (equal to 1), “Less than 10%” (2), “10% to less than 25%” (3), “25% to less than 50%” (4), “50% to less than 75%” (5), and “75% or more” (6)). The final aggregate values for this variable, in accordance with the observed minimum/maximum data values, ranged from 7 (calibrated as fully out) to 73 (calibrated as fully in) and a crossover value of 37.5.

The pivotal capability of **paradoxical change-making** was measured using the overarching ‘[D] *paradoxical change-making* five-point scale item “our organization is flexible when tackling social issues, for example, using both disruptive or subtle approaches, and by adopting both long-range and short-term (opportunistic) planning” (1= strongly disagree, 2= disagree, 3= neither agree/disagree, 4= agree, and 5= strongly agree). This variable was multiplied by the sum of the values of the three sub-capabilities, which each used the same five-point scale as per above. These three sub-capabilities (with aggregate

values ranging from 3 to 15) include: [d1] *appetite for purposeful disruption*, measured using “in pursuing our organizational mission, we are sometimes bold and outspoken and may even be provocative towards external stakeholders”; [d2] *divergent temporal forecasting*, measured based on the average value for the three items “we typically wait for the policy environment to stabilize before developing new services and processes”, “we are good at seizing immediate opportunities and running with them”, and “we give programs time to succeed, even if that means extending out their timeframes”; and [d3] *servant organization approach*, measured using one item “our organization prides itself on working in humble ways in service to an important cause”. The final aggregate values for this variable, based on the actual minimum/maximum data values, ranged from 8 (calibrated as fully out) to 73 (calibrated as fully in), with a crossover value of 46.67.

For the final pivotal capability, **complexity leadership**, the survey asked respondents to provide answers to the question “How would you describe the key focus of leadership in your organization?” using a five-point scale (1= strongly disagree, 2= disagree, 3= neither agree/disagree, 4= agree, and 5= strongly agree). The overarching pivotal capability variable, ‘[E] *complexity leadership*’ was measured using the item “a focus on all three above functions [i.e. adaptive, administrative, and enabling leadership] as leadership in our organization is multi-functional”, and this was multiplied by the sum of the values of the three sub-capabilities. The items for these sub-capabilities each used the same five-point scale and thus had aggregate values ranging from 3 to 15. The sub-capabilities include: [e1] *adaptive leadership*, measured using the item “encouraging a high degree of experimentation, autonomy, and ‘creative license’ for staff to problem-solve”; [e2] *administrative leadership*, measured using the item “providing clear roles and policies for staff to adhere to, and placing an emphasis on efficiency and performance”; and [e3] *enabling leadership*, measured using “enabling interactions between working groups to make sure different parts of the

organization work together in effective ways”. The final aggregate values for this variable, which was observed from the actual minimum/maximum data values, ranged from 7 (calibrated as fully out) to 75 (calibrated as fully in), with a crossover point of 48.

*Context-related variables: Organizational size and location*

In *QCA Analysis 1*, **organizational size** was coded as 1 for large agencies with 40 FTE employees or more, and 0 for small agencies with 0-39 FTE employees. The variable for **geographical locality** was coded as 1 if the respondent’s organization’s services are primarily provided in a metropolitan area, and 0 if services are provided in regional/remote areas.

*Variables of enabling conditions for enhancing NSI outcomes*

For the factors in *QCA Analysis 2* (as shown in Figure 5.2), the variable for **person-focused enabling conditions** was constructed from the level of agreement with the statement “our clients initiate and lead their own projects (with assistance, when needed, from our organization)” using the five-point scale 1= never, 2= rarely, 3= sometimes, 4= often, and 5= always. Scores of 1 were calibrated as fully out, 5 calibrated as fully in, and the crossover point (median score) was set at 3.

The variable for **systemic-focused enabling conditions** was based on the extent to which NSI strategies incorporate input from a wide range of sources and also draw knowledge heavily from those sources. Respondents indicated how often they pursue collaborative opportunities with each of the five types of external partners, including: “other disability service providers”, “local government councils”, “other government departments/agencies”, “businesses”, and “research institutes or universities” (1= never, 2= rarely, 3= sometimes, 4= often, and 5= always). The final aggregate values for this variable,



observed from the actual minimum/maximum data values, ranged from 1 (calibrated as fully out) to 20 (calibrated as fully in), with a crossover point of 10.

Lastly, the variable for **risk-tolerant environment enabling conditions** was constructed by multiplying respondents' scores on two survey questions: "we often take risks when working towards social transformation", and "we learn from mistakes and failures in a positive way" (1= never, 2= rarely, 3= sometimes, 4= often, and 5= always). The aggregate values for this variable ranged from 2 (coded as fully out of the set) and 25 (coded as fully in the set), with 16 as the crossover point, with these scores based on the actual minimum/maximum data values.

#### *Qualitative data analysis and mixed-methods integration*

This study used NVivo for managing the analysis of the 14 interview transcripts. The interview data were uploaded into the NVivo program and the development of a node system was undertaken. We classified and coded the data in accordance with theoretically-derived (deductive) and data-driven (inductive) categories (Fereday and Muir-Cochrane, 2006). The use of concise and highly specific coding rules aided in adhering to a systematic and consistent open coding process. The semi-structured interviews that followed the survey were designed to verify and examine the results from the QCA analyses in greater depth, rather than deliver an independent set of qualitative findings. We integrated the findings from the two data sets through a process of triangulation involving the use of a convergence coding matrix (Farmer, Robinson, Elliott, & Eyles, 2006; O'Cathain, Murphy, & Nicholl, 2010).

## **5.5 Results**

### *QCA Analysis 1*

In line with our integrated mixed-methods approach, we present the results of our sector-wide QCA analyses in conjunction with qualitative responses obtained from survey respondents

and illustrative excerpts from the 14 semi-structured interviews with CEOs. The quotes provided are from CEOs at relevant organizations whose characteristics match the QCA solution. Table 5.1 presents the *QCA Analysis 1* results, depicting four recipes (i.e. four solutions or configurations of capabilities) for achieving high-level NSI development. All four solutions exhibit acceptable consistency levels ( $>0.83$ ) and the overall solution coverage is 60%. According to the results, place-based relationing is a necessary capability for high-level NSI development as it appears in all four recipes; however, this capability is not sufficient to achieve this outcome on its own and must be aligned with other capabilities within a given recipe.

The results in Table 5.1 indicate that the capabilities used by NPOs to achieve high-level NSI development differ depending on the organization size (large versus small) and the geographical setting in which it operates (metropolitan versus regional/remote). There are three recipes for small NPOs (solutions 1, 2, and 4), and one recipe for large NPOs that operate in metropolitan areas (solution 3). The three recipes for small organizations specifically relate to small NPOs based in regional and/or remote areas (solution 1), small NPOs based in metropolitan areas (solution 4), and all small-sized NPOs operating in either regional/remote or metropolitan areas (solution 2). Solution 2 is of particular interest because it suggests that for small NPOs the way to obtain high-level NSI development is through an integrated capability that combines all five pivotal capabilities.

According to solution 1, small NPOs in regional and/or remote areas that do not demonstrate a diversity learning capability are able to achieve high-level NSI development through using the three capabilities of place-based relationing, paradoxical change-making, and complexity leadership. This recipe highlights the importance of responsiveness, which can stem from the need to adapt within resource-constrained contexts. For example, the place-based relationing capability, as evidenced by respondents writing such comments as

**Table 5.1: Results from QCA Analysis 1: Recipes for high-level NSI development**

| Configuration model (solution) | Outcome variable: Nonprofit Social Innovation (NSI) development |              |                          |                         |                    |                           |                       | Coverage |           | Consistency |
|--------------------------------|-----------------------------------------------------------------|--------------|--------------------------|-------------------------|--------------------|---------------------------|-----------------------|----------|-----------|-------------|
|                                | Large size                                                      | Metropolitan | Transformational Empathy | Place-based relationing | Diversity learning | Paradoxical change-making | Complexity leadership | Raw      | Unique    |             |
| 1                              | □                                                               | □            |                          | ●                       | □                  | ●                         | ●                     | 0.325498 | 0.0235046 | 0.840117    |
| 2                              | □                                                               |              | ●                        | ●                       | ●                  | ●                         | ●                     | 0.534157 | 0.101752  | 0.867718    |
| 3                              | ●                                                               | ●            | ●                        | ●                       |                    | ●                         | ●                     | 0.318523 | 0.0127379 | 0.869232    |
| 4                              | □                                                               | ●            | □                        | ●                       | ●                  | □                         | □                     | 0.249526 | 0.0269164 | 0.864914    |

Solution coverage: 0.601714  
Solution consistency: 0.830908

Notes: Black circles “●” indicate the presence of a condition. Squares “□” indicate the absence of a condition. Blank cells indicate an irrelevant (“don’t care”) condition.

*“We’re well connected to our regional community”* [Org 184], sees NPOs harnessing their deep localized roots to closely determine community needs and engage in context-specific activities which shape the fabric of community life from within. The capability of paradoxical change-making also ties in with a responsive approach in that innovative service design occurs within flexible timeframes; for instance, respondents from small regionally-based NPOs mention drastically changing their operations in response to uncertainties in the funding environment as they feel *“we won’t be properly supported in the new [NDIS] system”* [Org 514]. Yet despite these pressures to adapt quickly, organizations in these contexts are also making the decision to at times move slowly, as one CEO explains:

*It’s not a good idea to set up a new service and say here it is! And then it fails because people don’t want it. It takes time. We need to wait and hear what people say, rather than rush around to design and set up new services* [CEO 5].

Complexity leadership, the third capability within this recipe for regional/remote NPOs, can be seen through a leader’s emphasis on staff creativity and resourcefulness, as one respondent indicates: *“We do so much more than what we’re currently funded to do”* [Org 540]. The need for careful management of administrative processes, another dimension of complexity leadership, is also found to be critical for organizations in isolated or disadvantaged communities where the cost of service provision is higher (than in metropolitan areas) and where limited NPO infrastructure capacity may require judicious allocation of resources:

*Due to where we are [which is in a regional location], funding is a significant barrier to social innovation that needs to be overcome. We need to be extremely careful when allocating resources to new projects. And it is only likely to get worse because fewer revenue sources will be available to us in future* [ID 286].

The final dimension of complexity leadership, the use of enabling leadership, can be viewed in leadership approaches used in this geographical setting that are multi-functional and responsive to adaptive challenges, for example:

*We don't wait for someone else to come along and provide us with a hand-out or the tools that will enable us to do something. We'll find ways to do it for ourselves rather than wait for that [CEO 12].*

In the recipe for small regional/rural NPOs (solution 1), the capability of transformational empathy can be present or absent (i.e. it is irrelevant). Diversity learning is absent, indicating that these organizations are unlikely to utilize diverse forms of knowledge (including both internally- and externally-derived) for NSI. In particular, a dearth of inter-organizational learning processes may speak to the limited opportunities for external knowledge-sharing and thus a reduced tendency to seek input from other organizations when tackling social issues, as one CEO explains:

*Our head office is in the country, in a small country town in an isolated area. So always in the past, 95% of what we do we've had to do off our own bat because there is nobody else in our area who can do it. We've developed an organizational approach that if something needs to be done, then we do it – otherwise, it won't get done [CEO 2].*

In contrast, small organizations based in metropolitan areas (solution 4 in Table 5.1) are found to have a diversity learning capability that, in conjunction with place-based relationing, enables them to achieve high-level NSI in the absence of the other three capabilities. This may signify that in the context of metropolitan areas, where knowledge transfer is more readily achieved thanks to an organization's close proximity to a variety of informational networks, small NPOs can attract and harness external resources for valuable processes of inter-organizational learning, as discussed by this metropolitan-based CEO:

*For us in a small organization, we can face the barrier of lacking certain skills when we're innovating, for example knowing how to design an app or a tech-related project. These are the skills that can hold people back, and as a result ideas can languish. To get around that, I support staff to ask other people: find someone to come in and get involved [CEO 8].*

That said, higher internal diversity may be present in small metropolitan NPOs (as compared to small regional NPOs), i.e. in terms of cultural diversity or diversity in

qualifications. Moreover, as typically resource-constrained organizations operating in highly competitive environments, the capacity of small metropolitan NPOs to source and integrate specialized personnel possessing unique skillsets may be achieved in creative ways:

*We support children with disabilities as our key work, but we've recently made a big shift: we're now engaging the parents [of children with disabilities], empowering them to work with professionals in the sector. These parents have become our Key Facilitators. We've flipped the power around so that these individuals – who are so often seen to be too devastated by their situation – are making a real contribution. We have 10 paid Facilitators now [CEO 13].*

For these small metropolitan organizations, the pronounced deployment of just two capabilities, rather than a broader suite of capabilities, is highly effective in terms of NSI. Overall, this recipe suggests two important points: first, the targeted blending of the capabilities of place-based relationing and diversity learning by small metropolitan NPOs may underscore the powerful combinatory potential of localized modes of operating that draws on a variety of knowledge sources accessed in these contexts; and second, by not acquiring the capabilities of transformational empathy, paradoxical change-making, and complexity leadership, small metropolitan NPOs may be better able to focus their efforts, exploit their value-creating resource endowments, and derive benefits from advantageous situational characteristics that can ultimately serve as a solid foundation for successful NSI strategy formulation.

For large metropolitan NPOs, the use of four capabilities (transformational empathy, place-based relationing, paradoxical change-making, and complexity leadership) is critical. While these organizations traditionally exhibit characteristics that may be seen to hinder, rather than promote, social innovation (i.e. “*Ours is a large traditional NPO. We are inherently risk averse and rather bureaucratic and this stifles social innovation in our organization*” [Org 760]), our findings suggest that to overcome inhibiting factors and actively pursue a socially innovative agenda large NPOs need to harness four capabilities.

For instance, rather than offering one-size-fits-all services, large innovative NPOs are differentiating their services through direct consumer input and embedding activities within community settings, as this organization demonstrates:

*We recently transitioned from operating at a large site encompassing day and lifestyle programs, a respite facility, shared supported accommodation, and a therapy center – to now facilitate entirely community-based and co-designed supports and amenities [Org 629].*

The breadth of capabilities required for high-level NSI development by these organizations could indicate they are developing approaches for going beyond conventional notions of efficient supply of social services in purely transactional terms. The following example highlights the capability of transformational empathy in this context, with this large NPO harnessing the empathetic capacity of staff to offer highly personalized and reflexive services:

*We have been developing projects relating to ‘end of life’ support for people living with a disability. As part of this process, we are supporting our employees to consider their own end of life issues and wishes, so that they are better placed to assist the people we support [Org 429].*

For large NPOs, complexity leadership is necessary for adroitly steering through the intertwined dynamics and paradoxes that accumulate through the four capabilities in this recipe. This CEO describes a contextualized form of the complexity leadership capability:

*Leadership in this type of organization requires people who can combine commercial skills, which are critical but not enough, and those skills can be learnt – but beyond those it requires people who understand they’re in a ‘people business’ where the interpersonal boundaries can be hard to manage and the feelings are strong. This means having well-developed people skills and understanding social exclusion. Lastly, they should actively combat a culture of dependence in the organization; rather than be leader-driven, it should be driven by a learning-based culture [CEO 7].*

The only capability not included in solution 3 is diversity learning, which can be present or absent (indicated by a blank). This suggests that large NPOs may have sufficient availability of requisite resources such that accessing additional knowledge in-flows is not always required; and in contrast to their small metropolitan counterparts, large NPOs do not

need to purposefully make use of internal forms of diversity to achieve high-level NSI development.

Summing up, the results from QCA Analysis 1 suggest that high levels of NSI development involve a complex interplay of pivotal capabilities, thus supporting Hypothesis 1. Yet, whether all of the five pivotal capabilities need to be present and deployed in an integrated way for high-level NSI to be gained is influenced by organization size and location, and this provides support for Hypothesis 2.

### *QCA Analysis 2*

Table 5.2 gives the results of the second analysis. The two solutions (both having consistency levels greater than 0.76) indicate that a high-level NSI is a necessary but not sufficient condition to lead to high-level outcomes of NSI in the form of benefits from social change. This means that an NSI strategy needs to be combined with certain enabling conditions for it to be implemented successfully and to generate high levels of impact.

As the two solutions indicate, for the successful implementation of an NSI with high-level outcomes, a systemic orientation must be aligned with either person-centered conditions (solution 1) or a risk tolerant environment (solution 2). In solution 1, a personalized approach (i.e. driven by an individual) as well as a systemic approach (i.e. collaborative breadth and depth), are both important factors that can reinforce the impacts of NSI strategies and lead to high-level benefits. This finding highlights the significance of enabling an individual's capacities and aspirations to be realized together with establishing constructively aligned partnerships. The following example showcases how a combination of these enabling conditions can promote an organization's implementation of NSI that increases inclusion of people with disabilities at the community level:

*We recognized the skills of a community member who also has a high-level disability. We supported him to share his artistic skills with other people and set up an activity space with another community organization and community groups. He now has a*



***Table 5.2: Results from QCA Analysis 2: Recipes for high levels of NSI beneficial outcomes***

| Configuration<br>model (solution) | Outcome variable: NSI benefits in terms of systems-level social change |                |                  |                              | Coverage |            | Consistency |
|-----------------------------------|------------------------------------------------------------------------|----------------|------------------|------------------------------|----------|------------|-------------|
|                                   | Nonprofit Social<br>Innovation (NSI)                                   | Person-focused | Systemic-focused | Risk tolerant<br>environment | Raw      | Unique     |             |
| 1                                 | ●                                                                      | ●              | ●                |                              | 0.555629 | 0.0614456  | 0.7674      |
| 2                                 | ●                                                                      |                | ●                | ●                            | 0.537958 | 0.04377754 | 0.788195    |
| Solution coverage: 0.599404       |                                                                        |                |                  |                              |          |            |             |
| Solution consistency: 0.765793    |                                                                        |                |                  |                              |          |            |             |

*large social gathering each week and runs art activities in an inclusive and free space which includes participation by community members without a disability [Org 455].*

Innovative strategies that work towards societal-level change may also be implemented in settings where initiatives start out as “*intensively focused on a person’s own potential*” and then ultimately “*have a multiplier effect that goes beyond the individuals to completely shift the way we think about and tackle issues in our society*” [CEO 13].

In solution 2, the conditions of a systemic approach together with a risk tolerant environment must be present to enable high-level outcomes of NSI. The importance of risk as a mechanism for enhancing an organization’s innovative drive and capacity was commonly expressed by participants, for example:

*“Rather than seeing the insurmountable risks and being deterred, or saying ‘OK, these are the usual ways’, we are comfortable saying, ‘Well, why not do it this way instead?’ That’s when we make the decision to step into the unknown” [CEO 5].*

Importantly, it is the interplay of an organization’s internal risk framework with an outward-looking (i.e. systemic-focused) approach that can promote potentially broader possibilities in terms of impactful social change:

*We need risk in order to grow, not to prevent, and I see it as being essential for internal disruption within the organization. On top of that, I think it’s really important to look to others and find out who else is challenging things. Then you can determine: what is the kind of disruption that is possible, and what’s our role in it? [CEO 8].*

While the results from solution 2 indicate that systemic-focused conditions are necessary for implementing NSIs that can attain significant community-level or societal benefits, focusing squarely on a systemic mode of operating for bolstering NSI is not a sufficient enabling condition on its own. Interestingly, these results imply that person-focused conditions and a risk tolerant environment are a substitute for each other, as either one needs to be present. This finding may shine a light on the dual personal–political nature of social exclusion (the problem NSI seeks to address), which may not be properly tackled unless

those involved in the implementation of innovative solutions are willing to combine their collaborative efforts with intensely human-centered approaches or high levels of risk-taking to interrupt prevailing (political) structures. The need for such multi-faceted approaches that penetrate the complexity of these social change processes are explained by one CEO:

*It's difficult to make systems-level change because it's hard for people to understand this concept of 'inclusion'. There are so many things beneath the surface that aren't noticed – they're the hidden aspects of inclusion, and they make a huge difference to how a person lives their life, and how our community includes or excludes on a daily basis. It's very hard to change these. But I do ultimately think it's possible for NPOs to achieve systems-level change. To do this, we need to shift our thinking and our ways of working [CEO 7].*

The choice of which type of condition to exploit (i.e. either person-focused or high-risk tolerance) in combination with systemic-focused conditions should be guided by an understanding of the specific context of each NPO. For some organizations, it may be necessary and natural for them to work closely alongside individuals: “In our organization, what we’re fundamentally interested in with social innovation is how can we meet this person face to face and make a difference to him or her?” [CEO 3]. For other organizations, it may be critical to actively question and even rebel against the status quo: “We have to constantly keep asking ourselves: why? It doesn’t seem right” [CEO 14], and to engage in behavior that is inherently risky but also potentially boundary-pushing:

*“I’m a great believer in you can’t get everything right before making an innovative call. A perfectionist is not an innovator. In our thinking and our approaches, we are prepared to make the decisions that matter and those are often the risky ones” [CEO 2].*

Summing up, the results from *QCA Analysis 2* suggest that high-level NSI development is a necessary but not sufficient condition for high societal impacts to be achieved. Specifically, if NSI is not developed from the systemic-focused perspective and not implemented in tandem with either person-focused or high-risk conditions, high levels of societal benefits from NSI would not occur. Based on these QCA results, Hypothesis 3 is partially supported and Hypothesis 4 is supported.

## 5.6 Discussion and conclusions

Social innovation is widely recognized as holding great potential for developing novel solutions to some of the major social challenges of our time (Phillips et al., 2014). To date, rigorous research into the antecedents and dimensions of social innovation that is of value to theory development has been in short supply (Howaldt & Schwarz, 2017; Taylor et al., 2018). This study contributes to research by evaluating the mechanisms and impacts of social justice-oriented social innovations in the nonprofit sector. Fuzzy-set QCA is used to examine how different organizational capabilities are combined to foster NSI development, and how enabling conditions are linked to high-level outcomes of NSI. The analyses identify four ‘solutions’ based on equifinal pathways for achieving high-levels of NSI, and two configurations of enabling conditions for high-level outcomes.

Our study finds that an NPO’s ability to focus on particular capabilities and deploy them in alignment is critical for NSI. The specific capabilities that are required vary depending on the NPO’s size and location. For small NPOs operating in regional or remote areas (solution 1 in *QCA Analysis I*), a recipe that blends place-based relationing, paradoxical change-making, and complexity leadership enables NPOs to address the disadvantages of a regional or remote location (Butkevičienė, 2009; Neumeier, 2012). In contrast, for small metropolitan NPOs (solution 4) the design of niche services in response to the needs of their local communities ostensibly involves partnerships with community actors and networks (Toepler, 2003), as well as drawing on diverse internal knowledge sources. Yet the complexities inherent in NSI development are further evidenced by the equifinality of the QCA analysis, in that solution 2 shows that blending all five capabilities can also lead to high-level NSI for small organizations. An NPO’s capacity to mobilize broad-ranging capabilities, however, may depend upon its existing resource endowments and the demands or limitations found in its external environment, for example the presence (or absence) of

diverse actor groups. Lastly, the ability of large metropolitan NPOs to achieve high-level NSI is based on combining four capabilities. While the extant research finds that large NPOs are more likely to focus on delivering social services via long-standing and standardized operational models (Gronbjerg & Nelson, 1998; Hammack, 1995), our findings signify a reorientation by large socially innovative NPOs towards diversified strategies as they actively tap into the uniqueness and potentiality of people and place.

The second QCA analysis indicates that maximizing an NSI's impacts can be achieved through the careful arrangement of enabling conditions. The finding that systemic-focused enabling conditions are necessary for high-level outcomes of NSI supports the prevalent view in the literature that social innovation requires cross-sector collaborations (Mulgan & Pulford, 2010; Nicholls & Murdock, 2012; Sanzo, Álvarez, Rey, & García, 2015). Yet the QCA results reveal that collaborative approaches are not sufficient for reaping the full potential of NSI. Instead, our study signals the need for intensively personal and/or high-risk approaches which must be coupled with collaborative efforts. This deepens our understanding of systemic social innovation (Davies et al., 2012) by illustrating the pivotal role played by organizations through their direct engagement with individuals and/or structures at localized scales, and not only through expansive, cross-sector strategies. The evidence in this study also challenges the notion that the social innovations developed by organizations are ineffectual for responding to systemic 'wicked' problems (Davies et al., 2012; Westley et al., 2014) by indicating a high level of organizational agency in driving social innovations with potential for community and/or societal impacts. That said, this outcome is by no means assured, as our QCA results show that a strategy of high-level NSI is insufficient for cultivating social benefits on its own. Rather, it must be intentionally orchestrated in combination with particular enabling conditions, once again implying the

importance of environmental factors within organizational contexts as indelibly influencing pathways to social change (Howaldt & Schwarz, 2017).

### *Theoretical implications*

As one of just a few social innovation studies based on nationally representative survey data in a nascent field of research, our study makes an important contribution towards social innovation scholarship. In this study, we apply QCA's configurational thinking and complexity theorizing (Fiss, 2007; Ragin, 2000) to social innovation research in order to capture the richness of specific contexts and the conditions that influence how organizations engage in social innovation. To the best of our knowledge, QCA analysis has not been applied in empirical studies focusing on social innovation, with the exception of Westley et al.'s (2014) study which investigates how social entrepreneurs attempt to 'scale up' social innovations.

Based on the QCA findings, a number of complexity-based rules of interaction (Burnes, 2005) can be ascertained. These rules derive from the asymmetrical combinations of organizational capabilities and enabling conditions used by disability NPOs (i.e. localized patterns within organizations) emerging across the broader population (i.e. system) of the Australian disability sector. From these rules, it is possible to formulate several interconnected 'theories-in-practice' (Argyris & Schön, 1974) to understand social innovation in NPOs. These middle-range theories, based on the different QCA recipes/solutions, connect localized and systemic realities. First, at a local level these theories contribute useful knowledge into NSI's complex causal structures and its contextualized emergence, by recognizing that actors within different organizational and geographical contexts are likely to have different ways of creating solutions to social problems (Eppel, Matheson, & Walton, 2011). Second, these theories can be understood systemically,

according to a whole-of-population perspective, that elucidates how NPO-driven action can be influential in altering the broader temporal-spatial fabric of society. These insights serve to advance theory of social innovation in nonprofits, a research domain where our knowledge of how social innovation occurs is underdeveloped.

### *Managerial implications*

Social innovation is a challenge for managers to actuate and guide within complex organizational contexts. Our findings are of value for managers due to the formulation of recipes that explain how social innovation comes to fruition in contextually-specific ways. Most managers would instinctively understand that social innovation looks different in different organizations, and thus by outlining the idiosyncratic expressions of this phenomenon in relation to profiles and patterns across various organizational contexts, our findings can enable managers to strategically orientate their resources and activities. In short, we seek to provide answers to the practical questions that practitioners often ask of social scientists, such as: what works? (Byrne, 2005), and for whom? (Barton et al., 2015).

Our study's findings identify the potential impacts of organizational NSI strategies and the need for collaborative approaches in combination with person-centered and/or high-risk approaches. This brings home the difficult balancing act that is required of NPO managers, as they assess their underlying priorities and the intended impacts of their social innovations, while also ensuring that favorable organizational conditions can flourish. Despite these challenges, is through such attunement in their NSI strategy implementation that managers may be able to steer their organizations on an impactful path and generate societal benefits.

### *Policy implications*

Our study highlights the complexity involved in fully realizing the ambitious goals outlined within the new policy directions of the Australian government, in particular the shift towards a socially innovative, rights-based disability services model (Hallahan, 2013). The QCA findings paint a picture of diversity and uncertainty on the road towards such a turning point for people and communities. In uncovering broader patterns across the disability services sector, our study provides guidelines for how these policy goals could be met in practical terms. For instance, well-founded concerns about pronounced disadvantage in regional and remote areas (Barton et al., 2015) may be addressed through ‘on the ground’ strategic responses by NPOs that are context-specific, i.e. using the three capabilities outlined in our findings for regional and/or remote NPOs.

The evidence from our study suggests that supportive policy conditions should not only seek to foster collaborative approaches, but also enable more direct and empowered involvement on the part of individuals with disabilities (Stainton, 2002). This person-focused approach serves to bolster NPOs’ social innovation strategies. Lastly, rather than imposing tightly controlled (government-mandated) structures, flexible policy settings that allow NPOs scope to pursue high-risk social change initiatives (Jankel, 2011) may prove crucial for achieving the Australian government’s policy ambitions of “an inclusive Australian society that enables people with disability to fulfill their potential as equal citizens” (FAHCSIA, 2011, p. 22).

### *Limitations and directions for future research*

This study has several limitations that point to future research. The study results may reflect the specific characteristics of NPOs operating in the Australian disability sector and may not therefore be generalizable to Australian NPOs in different sectors or disability NPOs in other economies. An



opportunity for future research lies in exploring and testing the relevance of the NSI framework in other NPO contexts. This could also be extended to the private and public sectors, both of which are contexts where social innovations are being developed to solve social and environment problems (Nicholls & Murdock, 2012). Furthermore, as with other analysis techniques, QCA has methodological limitations. Critiques of the QCA data analysis method include its sensitivity to measures (e.g. membership in a given set) and the role of the researcher's subjective judgement in choosing the thresholds and the calibration mechanisms (Ordanini, Parasuraman, & Rubera, 2014). Although our calibration procedures follow the methodological guidelines in the QCA literature (Ragin, 2000, 2008), we acknowledge these limitations and caution that the sufficient configurations emerging from our findings are based on analytical assumptions that need to be considered when interpreting the results. Also, while QCA can indicate the combination of variables that influence outcomes, it cannot describe how these variables interact meaningfully, for instance, which order of variables leads to a certain outcome or the influence of the variables on each other. This highlights the importance of the semi-structured interview phase in our study design (which followed the survey phase) in terms of providing qualitative explanations for further clarifying the QCA findings. More broadly speaking, this final point also implies that future studies based on integrated mixed-methods approaches may be particularly useful for enhancing our understanding of this complex and multidimensional research domain.

## 5.7 Endnotes

<sup>1</sup> We detail the full process and findings of the ‘researcher-in-residency’ investigations (including the pivotal capability framework for Nonprofit Social Innovation) in a separate article that is currently under review.

<sup>2</sup> “The use of “cause” [or “causal complexity” in QCA] refers to relevant association and not causation from the perspective of true experiments with treatment and control groups and random assignment of cases to groups” (Hsiao, Jaw, Huan, & Woodside, 2015, p. 614).

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## Chapter 6

### Discussion and conclusions

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This chapter discusses the main findings of the study, the overall aim of which is to explore the poorly-understood phenomenon of social innovation in nonprofit organizations (NPOs). The chapter summarizes the key theoretical and empirical steps undertaken throughout the study in an integrated and coherent way. The associated theory-building processes, which involve the close entwining of practical and theoretical realities, lead to the development of a theory of social innovation in NPOs. The chapter concludes by discussing the implications of the findings for theory, managerial practice, research design, and policy, and by outlining the study limitations and directions for future research.

#### 6.1 Research aim

Using the Australian disability sector as an illustrative example, the study aims to explore organizational capabilities for social innovation and the outcomes of social innovation in NPOs as part of developing a theory of social innovation in NPOs. In broad terms, social innovation is defined by Phills, Deiglmeier and Miller (2008) as a service and/or process that contributes to generating a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions, and for which the value created primarily benefits society as a whole. The design of the current study incorporates two broad phases. Phase 1 embeds abductive logic in methodological framing; this phase results in the development of the framework of *Nonprofit Social Innovation (NSI)*, i.e. a social innovation enacted

specifically in the disability NPO context, and the generation of abductively-derived working hypotheses. Phase 2 uses a whole-of-sector lens to test the NSI framework and verify the working hypotheses. In the following sections, the discussion of the study findings is framed in relation to these two phases.

## **6.2 Phase 1: Abductive case studies**

Based on the initial scoping review into empirical research on organization-based social innovation (*Chapter 1*), this study's research problem is deemed pre-theoretical and ill-defined, due to: 1) the conceptualizations of social innovation remain contested and ambiguous (Ayob, Teasdale, & Fagan, 2016; Howaldt & Schwarz, 2017); 2) the research field encompasses broad cross-disciplinary bases and is yet to properly establish itself or mark out its theoretical territory in the Kuhnian sense (Chalmers, 2012; Kuhn & Hacking, 2012); 3) there have been relatively few academic empirical studies to date, resulting in a significant lack of comparative research and quantitative analyses in particular (Phillips, Lee, Ghobadian, O'Regan, & James, 2014); and 4) in a holistic sense, the patterns arising in this phenomenon and the impacts garnered by socially innovative organizations are not adequately understood or explained (Berzin, Pitt-Catsouphes and Gaitan-Rossi, 2015; Mulgan, 2012).

In tackling an ill-defined problem domain, this study is driven by abductive logics and methods of inquiry. The use of abduction as an operation or process is argued by Peirce (1955) to be the only way to bring about new ideas or scientific theories. Accordingly, abduction is put forward in this study as not only valuable but altogether essential for driving empirical research within the young and tentative field of social innovation research. Abductive reasoning is used as a promising starting point for considering previously unexplained facts and anomalies (through practical and theoretical observations), creatively



generating new plausible hypotheses, comparing competing explanations, and ultimately aims at developing better theories (Patokorpi & Ahvenainen, 2009; Svennevig, 2001).

In addition to using abduction as a logic of discovery, complexity theorizing is adopted in this study to better understand the complex and contingent reality under study (Byrne, 2005; Westley & Antadze, 2010). The findings of this study's scoping review (*Chapter 1*) highlight the diversity of sector-specific and/or localized permutations of social innovation, which supports the claim that this phenomenon manifests in contextually dependent ways (Caulier-Grice, Davies, Patrick, & Norman, 2012; Howaldt & Schwarz, 2010; Moulaert, Martinelli, Swyngedouw, & Gonzalez, 2005). A complexity theory standpoint (Burnes, 2005; Byrne, 2005) views the knowledge and practices shaping social innovation as contextually sensitive rather than universal, and occurring through patterns of emergence that are self-organizing, nonlinear, and sensitive to initial conditions (*Chapter 2*). Importantly, the use of abductive reasoning is put forward as a methodological stepping-stone between this study's complexity theorizing approach and the practice-based world of NPOs, as it is concerned with the particularities of specific situations and emphasizes the need to make contextualized judgements via a logical process of sense-making (Kovács & Spens, 2005; Patokorpi & Ahvenainen, 2009).

The specific methodological components of the study's four-step abduction process are detailed in *Chapter 3*. For the purposes of this Discussion and Conclusions chapter, the key steps undertaken are described briefly below, with a focus on the implications of each phase as it pertains to the processes of theory development.

#### *Step 1: Grounding the social innovation phenomenon in context*

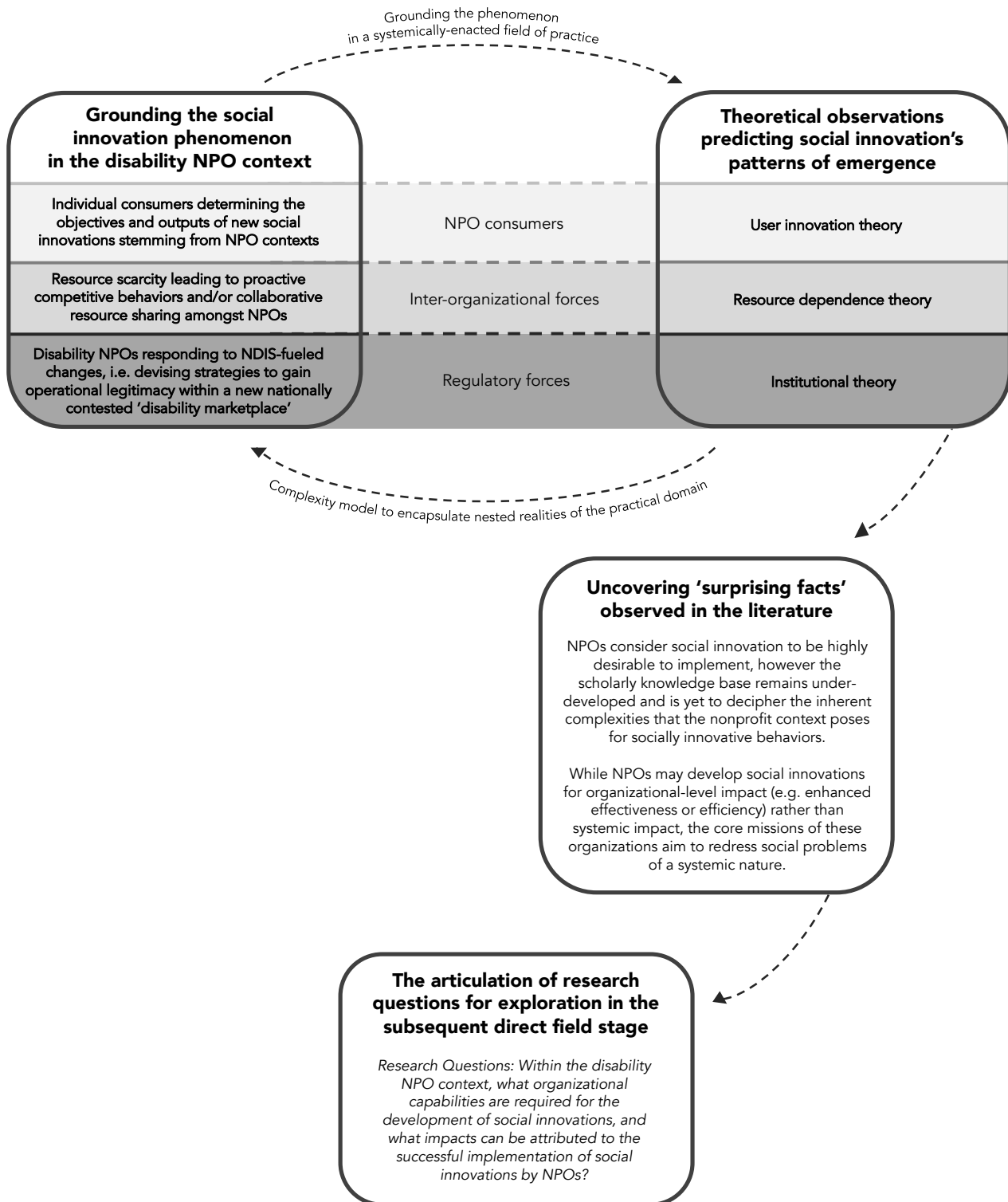
Due to its highly variable applications across distinct contextual fields, grounding the social innovation phenomenon in a particular context forms the first step in this abductive journey.

As outlined in *Chapter 2* of this study, the initial contextualization stage involves contemplating the interplay of micro/meso/macro elements within the practice domain of interest, i.e. specifically pertaining to NPOs operating within the Australian disability sector. A predominant feature of this context is the newly implemented National Disability Insurance Scheme (NDIS), which is widely regarded as destabilizing for disability NPOs in terms of their immediate and intense focus on organizational adaption and improvement processes (Connellan, 2014; Goggin & Wadiwel, 2014; Green & Mears, 2014). Hence, the NDIS policy is predicted in this contextualization phase to be a critical factor influencing NPOs' socially innovative activities.

#### *Step 2: Theoretical (nonfield) observations*

As well as grounding the social innovation phenomenon in context, the abduction process in this study also involves contemplating the phenomenon in relation to existing theoretical knowledge (Van de Ven, 2015). This ensures that new discoveries logically arise out of an appreciation of the existing body of knowledge, avoids gaps in knowledge about emergent constructs and their implications, and aims to generate sufficient diagnoses of the phenomenon and its context (see *Chapter 2*). Making theoretical (non-field) observations thus forms the 'mind-preparing' stage of this abductive study, and this is tightly interwoven with (i.e. emerges out of) the initial contextual grounding process (Step 1 above). The study's preliminary outlook of blended contextual–theoretical understandings of Step 1 and Step 2 is depicted below in Figure 6.1.

The theories used for comprehending social innovation in disability NPOs (see *Chapter 2*) are: institutional theory to explain the role of regulatory forces (DiMaggio & Powell, 1983); resource dependence theory to decipher the effects of resource-scarcity, competition, and collaborative opportunities in the sector (Pfeffer & Salancik, 2003); and,



**Figure 6.1: Contextualization (Step 1) and mind-preparing (Step 2) steps of the abduction process**

user innovation theory to denote the impetus for NPOs to engage in consumer-led design processes (von Hippel, 1986; 2005). The ‘surprising facts’ encountered in this mind-preparing stage result in the formulation of research questions to be explored in the subsequent direct field stage.

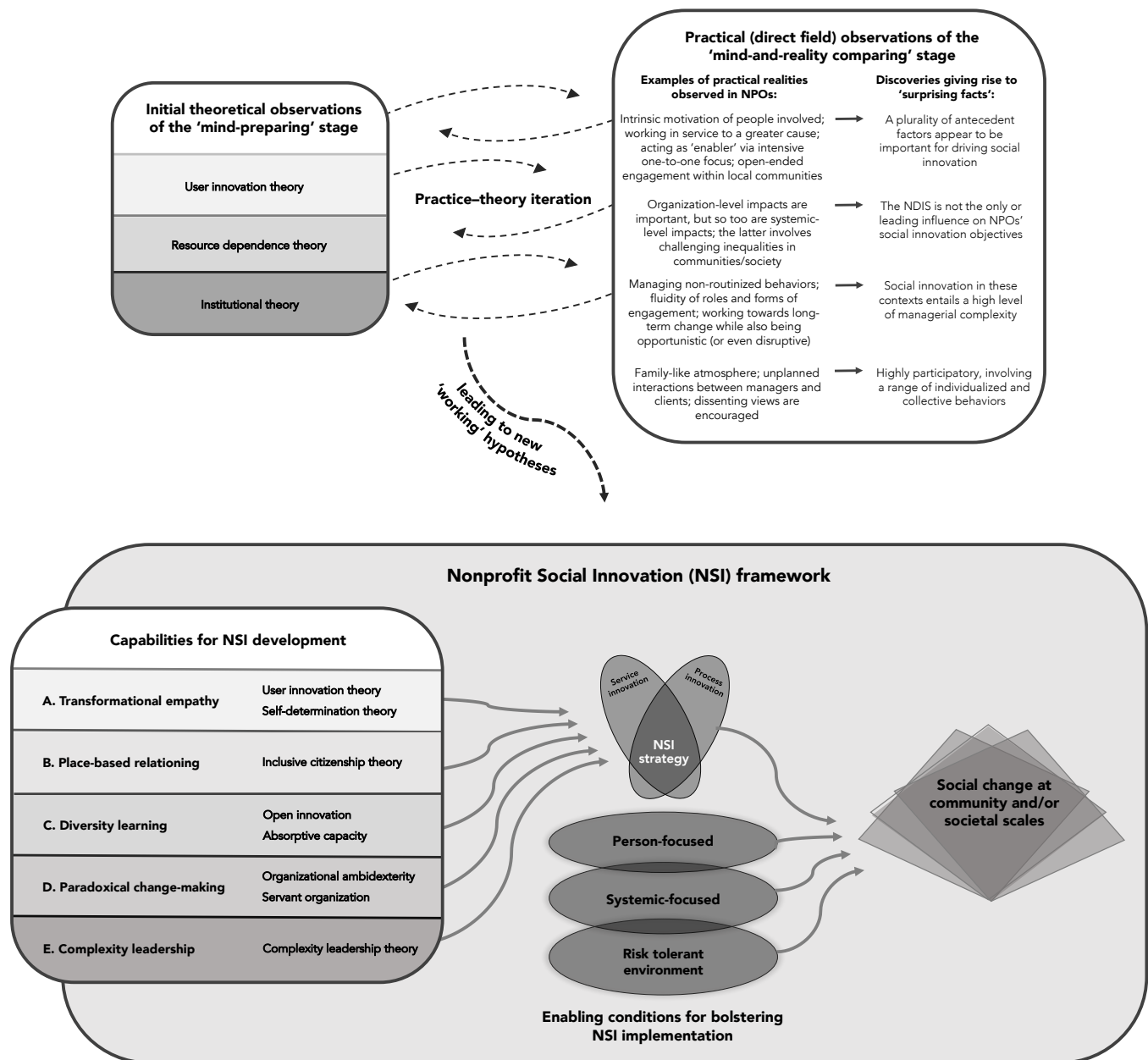
### *Step 3: Practical (direct field) observations*

Two researcher-in-residency case studies were carried out in late 2015 and early 2016.

*Chapter 4* provides a full account of these abductive case studies. The researcher spent two months full-time in the field, first at a disability NPO situated in the regional city of Hobart, followed by a second disability NPO in the metropolitan center of Melbourne. During this time, 52 semi-structured interviews were conducted with a vast array of organizational actors, including the CEO of each organization, senior managers, service coordinators, clients, board members, and external collaborators. In addition, extensive observational data were recorded. Forming the ‘mind-and-reality comparing’ stage of the abduction research process, these direct field experiences enabled the researcher to attend to the richness and particularities of practical everyday contexts (Taylor et al., 2018). The case study data were analyzed through abductive concept mapping (using Leximancer) and thematic coding (using NVivo).

### *Step 4: Practice–theory iteration to arrive at a ‘working’ hypothesis*

A deliberate teasing out of practice–theory implications occurs in the fourth step of the abduction research process (see Taylor et al., 2018). Various ‘surprising facts’ uncovered in the direct field stage point to inconsistencies between the initial theoretical predictions and the lived organizational processes and complex role relations discovered within the two NPO settings. Figure 6.2 shows the abductive reasoning processes that unfolded in Step 4, which



**Figure 6.2: Abductive reasoning process involving deliberate oscillation between empirical and theoretical observations to arrive at new 'working' hypotheses**

led to the development of the Nonprofit Social Innovation (NSI) framework, and the formulation of a deliberated 'working' hypothesis of NPO-based social innovation.

The practical evidence gained through the research-in-residencies indicates that the public policy reform of the NDIS is not the leading influence on socially innovative behavior

in disability NPOs. While the NDIS is ushering in many changes that these organizations are adapting to, the key drivers of their social innovations derive from a range of factors hinging on the social justice objectives of these disability NPO contexts. It was observed that these disability NPOs develop social innovations to increase opportunities for people with disabilities to make a direct and positive impact in their communities, and to enhance the inclusiveness of spaces and structures within society to lead to the full rights and participation of people with disabilities. This reduces the degree of focus on adaptive capacity at an organizational level as a direct response to NDIS-fueled changes.

Through the iterations between practice and (pre-identified) theories in Step 4, the incompatibility of institutional theory for understanding social innovation in the NPO context was observed. This theory was initially expected to explain how social innovations may be borne out of and shaped by institutional pressures in the operating environment (DiMaggio & Powell, 1983). However, the case study findings indicate the role of NPO-based social innovation in terms of *challenging*, rather than *conforming to*, the prevailing rules and belief systems within society's institutions. For example, in response to the documented problems with the NDIS rollout such as inadequate support plans for individuals with disabilities or mental health issues (Connellan, 2017; Smith-Merry, Hancock, Gilroy, Llewellyn, & Yen, 2018), the NPOs in this study are developing new mechanisms and services that attempt to reorient institutional policies. While state practices are difficult to transform due to their embedded power (Moulaert et al., 2005), the attempts by disability NPOs to challenge structural inequalities indicates that 'non-choice' behaviors (Oliver, 1991) and an unquestioning alignment with the expectations (i.e. legislative mandates) of the new bureaucratic system (DiMaggio & Powell, 1983), do not play a central role in how they develop and implement social innovations.

Further de-emphasizing the applicability of institutional theory was the discovery that these socially innovative NPOs focus their work at local scales to bring about positive life changes. This occurs in ways that to some degree encapsulate, but ultimately move beyond, formal recognitions of *citizenship*, for instance those set out in laws and policies such as the NDIS policy. Instead, through their innovative activities these NPOs typically deal with the less tangible reality of *inclusion*. At the core of their socially innovative agendas, this goal of inclusion “cannot be legislated or mandated... [but] speaks to the way of being and belonging in community; our connections to others, mutual respect, and a deep sense of equality” (Stainton, 2017, p. 1). Thus, the disability NPOs’ focus on transforming these on-the-ground ‘felt’ realities of inclusion means that institutional theory cannot be feasibly linked to social innovation in these contexts.

The theory of resource dependence theory was also identified as a potentially useful lens to explain how increased competitiveness in resource-constrained environments may be intensifying the need for innovative responses (Oliver, 1991; Pfeffer & Salancik, 2003; Soldatic, van Toorn, Dowse, & Muir, 2014). Yet, determining new ways to access the external resources needed for survival was not prominently observed in the approaches used by disability NPOs. For example, during one of the researcher-in-residences it was discovered that when external (i.e. financial) resources could not be attained to pilot a socially innovative program, the NPO decided to implement the program without funding. In this instance, the deficiency of resources from their external environment was mitigated by mobilizing resources from within the organization: specifically, the relevant manager was deeply committed to the project and undertook the work to implement the program on top of her usual workload. In addition, active engagement with external stakeholders, including other organizations, was also critical in their social innovation development. However, rather than purely gaining resources through these relationships, the NPOs made use of their

partners' investment in terms of time, expertise, and their willingness to openly share ideas and provide feedback, i.e. they jointly devised initiatives through processes of inter-organizational learning. Therefore, it was found that external engagement was typically oriented towards processes of open innovation (Chesbrough, 2006) as opposed to resource acquisition for organizational survival (Pfeffer & Salancik, 2003).

The final theory that was initially predicted to hold relevance to social innovation in disability NPO contexts was user innovation theory (von Hippel, 1986; 2005). During the researcher-in-residences, the importance of user innovation theory was evidenced through numerous organizational routines and artifacts. The role of direct client input in shaping new services and organizational processes was observed in formalized constructs (e.g. it was stipulated in one NPO's mission statement), and it was also perceived to take on significant personalized meaning for people through the articulated beliefs of staff and managers. Based on these observations, user innovation theory was reinstated within the emerging theoretical model of social innovation.

### **6.3 Arriving at new theoretical understandings of social innovation**

In this section, we detail the processes of theory-building that occurred near the conclusion of the abduction phase (in Step 4 of Phase 1), which led to the formulation of new, testable hypotheses based on this study's NSI framework. This framework (Figure 6.2) is grounded in a complexity theory lens and involves a combination of pre-identified theory (i.e. user innovation theory) and post-identified theories i.e. self-determination theory (SDT), inclusive citizenship theory, open innovation, absorptive capacity, organizational ambidexterity, servant organization, and complexity leadership theory. The mutual practice-theory implications behind each of the components within the NSI framework are also discussed in this section.



### *Conceptualizing Nonprofit Social Innovation (NSI)*

Through the abductive process that closely entwines real-world and theory-based observations, this study arrives at a contextually-derived concept of Nonprofit Social Innovation (NSI), defined as *‘a new service or process enacted specifically by a disability nonprofit which promotes the broader community’s inclusion of people with disabilities, and thereby has the potential to achieve systems-level (not just organization-level) impacts’*. Underlying NSI is a palpable social justice objective stemming from the social mission orientations of disability NPOs as they seek to increase the inclusion of people with disabilities in community life and/or society more broadly.

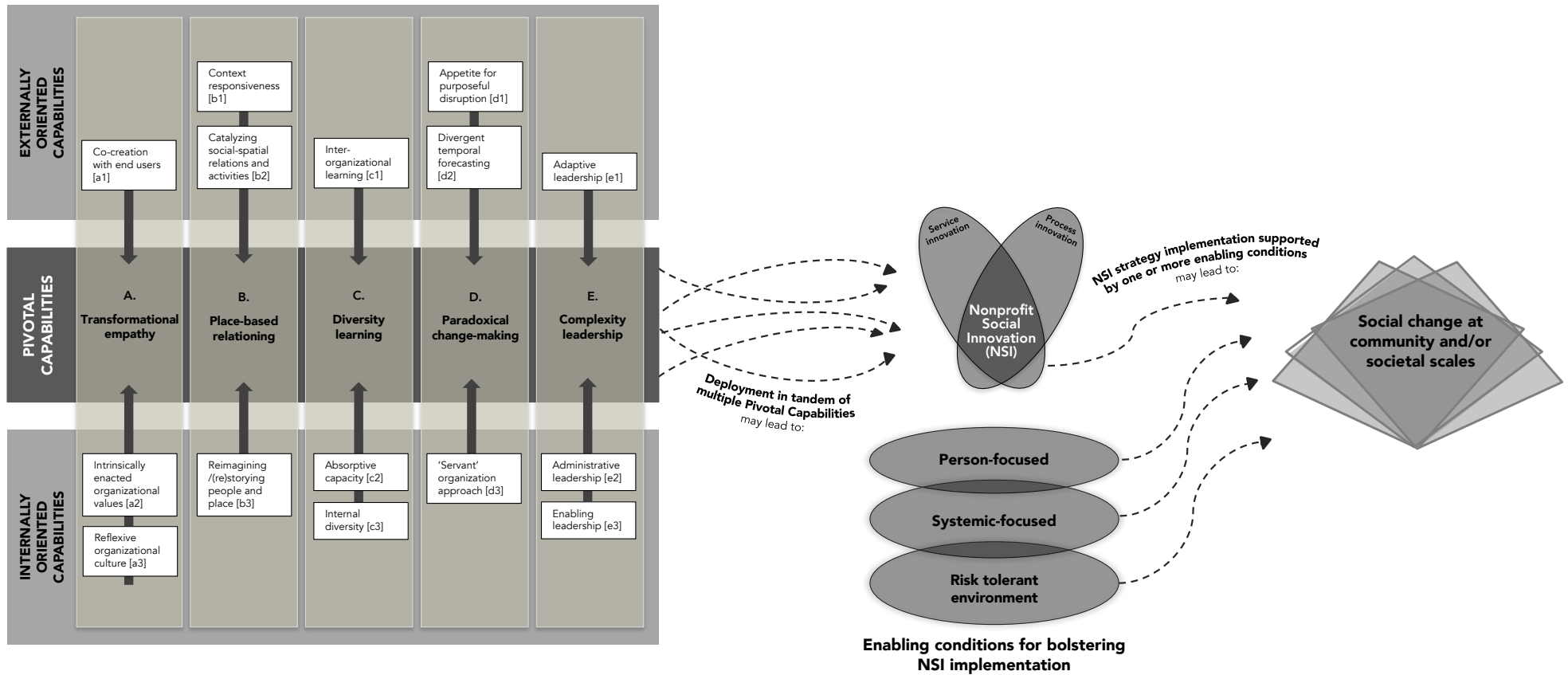
Significantly, the NSI conceptualization can be seen to bridge the ‘utilitarian’ (Ayob et al., 2016) social innovation conceptualizations of the management discipline, such as the definition put forward by Phills et al. (2008), with a more systematic, empowerment-focused approach. The latter is sensitive to historical and socio-cultural contexts, and contends with the multi-layered constraints imposed by institutional structures that can result in social inequalities (Gerometta, Häussermann, & Longo, 2005; Moulaert, 2009). The NSI construct thus integrates concepts from the management and organizational science literatures, for example emphasizing organizational learning, strategy, and leadership-based creativity (e.g. Benner & Tushman, 2003; Chesbrough, 2006; Cohen & Levinthal, 1990; Mumford, 2002), while also synthesizing the complex dynamics occurring across nested scales of organizational agency on the path to social change (Westley & Antadze, 2010; Tapsell & Woods, 2010). In other words, the theoretical construct of NSI explains how disability NPOs mobilize resources and pursue strategies in novel ways as they address the problem of systemic social exclusion experienced by people with disabilities.

### *Capabilities for NSI development*

The culmination of insights from the 52 interviews and direct observations conducted during the research-in-residences evidence a myriad of complex foci in terms of NSI development by disability NPOs. Through complexity theorizing, this study unpacks these interwoven facets within the world of practice by incorporating multiple levels of reality and by using different yet complementary theoretical constructs in careful alignment (Burnes, 2005; Byrne, 2005). The intrinsic components of the NSI framework are depicted in Figure 6.3 below (this figure also appears in *Chapter 4* of this thesis). As shown in this model, there are five ‘pivotal capabilities’: transformational empathy, place-based relationing, diversity learning, paradoxical change-making, and complexity leadership. The wide range of actors and processes involved means that these pivotal capabilities for social innovation development are multifaceted, based on a combination of internally-oriented capabilities (i.e. encompassing facets of organizational culture and intrinsic modes of relating), together with externally-oriented capabilities (i.e. responding to and influencing the broader environment and co-creating social action). So too, the variety of theoretical concepts underpinning each pivotal capability underscores the complexity of the overall NSI construct.

### *Transformational empathy (pivotal capability A)*

This concept emerged out of observations of NPO staff and managers who were intrinsically motivated to enact consultative practices. Within the socially innovative NPOs in this study, such practices could be seen in the active encouragement of reflexivity and criticism as a means for driving social innovation, and the inclusion of clients not just in planning or design discussions but in the day to day culture-building discussions occurring within the organization. The notion of transformational empathy that originated out of the two NPO case studies encapsulates these participatory and inclusive behaviors. The processes of co-



**Figure 6.3: Nonprofit Social Innovation (NSI) framework**

creation with clients and incorporating their ideas through blended back-and-forth relationships is theorized with reference to user innovation theory (von Hippel, 1986), while the importance of self-determination displayed by participants is tied to self-determination theory (Ryan & Deci, 2000).

In related literatures, the role of empathy has previously been linked to socially innovative social work practices (Berzin & Pitt-Catsouphes, 2014), social entrepreneurship theory and practice (Schwartz, 2012; Sullivan Mort, Weerawardena, & Carnegie, 2003), and is integrated into models of empathic design and human-centered design (Brown, 2009; Buchanan, 1992; Kolko, 2012; Leonard & Rayport, 1997). However, this study's transformational empathy construct recognizes the marginalized vantage point of certain individuals and groups involved in user-led processes within disability NPOs and the (dis)empowerment dynamics that shape social innovation agency. Accordingly, the coupling of *user innovation and self-determination theories* conveys the significance of human relatedness as demonstrated by a shared sense of purpose between those engaging in co-design processes, and implies the importance of each person having a sense of autonomy which motivates them to actively commit to the organization's development of social innovations (Ryan & Deci, 2000).

#### *Place-based relationing (pivotal capability B)*

Many of the approaches adopted by the socially innovative NPOs in this study were driven by an understanding that systems-level change requires the transformation of long-serving structures and ways of being that are entrenched within spatial and relational contexts. As such, exploiting the specificities and potentialities of 'place' was a common feature of the place-based work of these NPOs. One practical example is a program that catalyzes new friendships between members of a community, which enables a person with disability to

attend live music events together with a non-disabled person who enjoys the same music. In this instance, the NPO opted not to set up a fee-for-service solution based on the employment of a support worker to accompany the individual; rather, this service is driven by mutual friendship between people within a local community context, making the program freely available, self-sustaining, and transformative for those involved.

Throughout the researcher-in-residences, a wide variety of initiatives were found to harness context-dependent approaches in which the notion of ‘inclusion’ is understood as lived (daily) experience/s; meaning it cannot be divorced from its context, including its spatial context. In the social innovation literature, a territorial perspective (Butkevičienė, 2009; Gerometta et al., 2005; Neumeier, 2012) emphasizes the role of socio-spatial structures as both a catalyst and constraint. This study’s concept of place-based relationing links these structural perspectives with a conceptualization of ‘*inclusive citizenship*’ (Kabeer, 2005). This theoretical lens focuses on the situatedness of constraints within social structures and emphasizes the mechanisms used by excluded groups and individuals to (re)define themselves, and in so doing to (re)story contextual realities. This capability requires that disability NPOs work closely with excluded groups who have been disenfranchised by the prevailing structures, to develop context-dependent activities promoting new relationships *between* citizens (based on a horizontal view of citizenship). Over the long-term, the aim of these activities is to establish or restore democratized (vertical) relationships between citizens and social structures (Kabeer, 2005).

#### *Diversity learning (pivotal capability C)*

The core premise of the diversity learning capability is that NSI involves multiple perspectives and voices from both outside *and* inside the organization. The disability NPOs in this study interacted with diverse networks of stakeholders to learn about the many facets

of social exclusion and to collectively develop novel solutions. Such cross-fertilization of knowledge via multi-partied exchanges features prominently in the social innovation literature (e.g. Caulier-Grice et al., 2012; Mulgan & Pulford, 2010; Nicholls & Murdock, 2012; Sanzo, Álvarez, Rey, & García, 2015). This study's pivotal capability of diversity learning draws on the *open innovation* paradigm (Chesbrough et al., 2006) to emphasize the importance of these external links and knowledge sources.

Yet this outward-looking orientation is balanced with the need for internally-derived knowledge. During the researcher-in-residences, the researcher found that a valuable source of diverse knowledge for social innovation development was often tacit in nature and was prominently (though not exclusively) derived from managers and staff members with lived experience of disability or mental health issues. As tacit knowledge is closely tied with social context, this form of knowledge integration may be critical to tackling the less visible aspects of social exclusion that have contextualized meanings, defy easy explanation, and may only be understood experientially (Gertler, 2003). Important connection points are made within this pivotal capability by incorporating the concept of *absorptive capacity* (Cohen & Levinthal, 1990), which denotes an NPO's capacity to take in new forms of information while also utilizing prior related knowledge. As far as can be determined, the role of absorptive capacity as an aspect of social innovation has only been explored within a study by Chalmers and Balan-Vnuk (2012); however, rather than viewing absorptive capacity as an isolated capability for NPOs to exploit, we embed it within a multi-theoretical concept (i.e. 'diversity learning') which explains how diverse knowledge sources are captured and used by NPOs to better deal with the multidimensionality and complexity of social change processes.

### *Paradoxical change-making (pivotal capability D)*

This pivotal capability includes a number of seemingly disparate operational approaches that combine to create socially innovative agency that is both impact-driven and purpose-driven. For example, during the researcher-in-residences the researcher perceived the disability NPOs' tendency to harness a 'productive tension' with other organizations, including government agencies. This involved openly pushing outside agencies to do things differently, and it meant that the NPO was not afraid to ask what were at times confronting (and often seen as radical) questions as a way to disrupt the status quo. Simultaneously, these NPOs were seen to adopt a 'servant culture', in which individual managers and staff were driven by a desire to serve a greater cause in modest or humble ways, rather than in ways that necessarily increased the organization's profile. This outspoken/humble dichotomy was a surprising paradox found in the practical domain that required careful practice-theory linking to explain it. A complexity-oriented view illustrates why occasionally taking on riskier (and more unpredictable) social innovation experiments is necessary, as opposed to always adhering to smoother (easier to predict) social innovation pathways (Goldstein, Hazy, & Silberstang, 2010). The *theory of servant organizations* is tied to the latter incremental pathway of change (Sousa & van Dierendonck, 2017) to explain the organizational actor behaviors characterized by the virtue of humility.

The disability NPOs in the current study also espoused simultaneously long-term/short-term outlooks. Being comfortable extending out project timeframes well beyond their initial deadlines, while at the same time constantly shifting in a manner that is responsive and opportunistic, are examples of the exploration/exploitation facet of NPO-based socially innovative behavior (Benner & Tushman, 2003; Gupta, Smith, & Shalley, 2006). In this vein, 'slack' is given to projects which apply novel, forward-looking models of exploration and variability, yet exploitation-related projects are more tightly coordinated as

they aim to seize on immediate opportunities. While this view of organizational ambidexterity has been applied to social innovation processes within public-private partnerships (Battisti, 2014), its explicit connections to NPO-based social innovation have not previously been outlined in the extant social innovation literature.

### *Complexity leadership (pivotal capability E)*

In this study, the pivotal capability of *Complexity Leadership Theory* (CLT; Uhl-Bien, Marion, & McKelvey, 2007) is used to explain emergent forms of leadership in response to adaptive challenges, i.e. for disability NPOs, tackling the issue of social exclusion requires exploration, new discoveries, and adjustments on the path to social change. Shifting the emphasis away from the actions of an individual (i.e. a 'leader') and instead focusing on patterns of relational organizing, CLT involves three intertwined forms of leadership: adaptive, administrative, and enabling leadership (Uhl-Bien et al., 2007).

Diverse and interdependent arrangements of agents were found to engage in the social innovation-focused practices within disability NPOs. The role of complex adaptive system (CAS) dynamics (Stacey, 2003; Tapsell & Woods, 2010; Uhl-Bien et al., 2007) was evident as these groups of agents each behaved according to their own principles and aims, yet also adjusted their behaviors in response to conditions and events as they materialized. For example, new synergistic alliances and unplanned projects emerged nonlinearly out of processes of co-influencing among agents, each holding conflicting needs and preferences. According to CLT theory, arriving at these adaptive outcomes within the social system is linked to the concept of adaptive leadership. Yet planned and structured activities were also embedded in the disability NPO context in the form of administrative leadership. Enacted by people in formalized management roles within the organization, administrative coordination was important for overseeing the delivery of disability support services in a predictably safe



manner and in accordance with organizational goals. Critically, the role of the third form of leadership within the CLT theory, enabling leadership, was seen to overlap both the adaptive and administrative functions within the disability NPOs in the case studies. Enabling leadership involves catalyzing CAS dynamics such that novel ideas can originate through the horizontal, interactive dynamics of adaptive leadership and be formalized as new order within the hierarchical administrative system (Arena & Uhl-Bien, 2016).

CLT has been linked to social entrepreneurship in the area of human rights (Rhodes & Donnelly-Cox, 2008), socially entrepreneurial indigenous cultures (Tapsell & Woods, 2010), and has been used as the basis of a diagnostic tool for tackling ‘wicked’ social problems by local governments (Zivkovic, 2015). This study’s use of CLT to predict the leadership mechanisms of disability NPOs as an aspect of social innovation development extends the relevance of this relatively new leadership theory which is still in its early stages of being operationalized (Hazy & Uhl-Bien, 2015).

#### *Enabling conditions for maximizing NSI impact*

During the researcher-in-residences, three enabling conditions within NPO contexts were discovered that promote an organization’s successful implementation of social innovations with high levels of societal benefits. The enabling conditions are ‘person-focused’, ‘systemic-focused’, and a ‘risk tolerant environment’. While an NPO may be able to develop NSIs through deployment of its capabilities, the three enabling conditions were found to play a role in bolstering the implementation of NSI strategies leading to the generation of social change within systems (i.e. at community and/or societal scales). Rather than specific arrangements of resource endowments in the form of organizational capabilities, these enabling conditions can imbue (sometimes subtly, at other times conspicuously) most or all facets of the organizational milieu, broadly shaping the underlying ethos and operational mode/s of the NPO.

### *Person-focused enabling conditions*

These conditions may enable impactful NSI implementation and lead to social change outcomes through an intensively person- or client-centered focus, and an overall commitment to valuing the personal experience of individuals. At all levels of organizational activity, it requires the central involvement of people with disabilities as autonomous decision-makers (Stainton, 2000). This condition was observed in both disability NPO case studies, with a person-centered approach permeating their organizational missions, behaviors, structure, and processes. As a practical example, the NPO clients were empowered to lead their own initiatives in line with their personalized goals and ambitions.

### *Systemic-focused enabling conditions*

Systemic-focused enabling conditions rest on the premise that creating systemic change requires the NPO to take a broad-level systems view within almost every action or plan undertaken. It is enacted through collective cross-sectoral approaches in which multiple actors work according to an overarching objective of ‘coherent action’ (Davies, Mulgan, Norman, Pulford, Patrick, & Simon, 2012), rather than necessarily formalized collaborative arrangements. The abductive case studies revealed how NPOs inhabit an important intermediary institutional space between government, private businesses, and the general community, from which they can coordinate and engage in networks that may lead to important processes of social change. For example, the NPOs in this study demonstrated their full commitment to, and investment in, cross-sectoral partnerships as an important condition for the fostering of systemic solutions.

### *Risk tolerant environment*

This final enabling condition involves an NPO maintaining an open posture towards risk.

This can be seen in the types of innovative projects that are instigated, with an inclination to engage in ambitious or radical projects signaling a greater risk tolerance. In order to disrupt prevailing institutions and mitigate systemic forms of exclusion in effectual ways (Howaldt & Schwarz, 2017), both disability NPO case studies viewed their willingness to take risks as a necessary ingredient to successful innovative strategy implementation. An acceptance of failure was also important for fueling the implementation of high-risk NSI strategies.

## **6.4 Formulation of ‘working’ hypotheses for further empirical testing**

This study’s abduction-based NSI model offers an explanation of how particular capabilities are used for the development of social innovations by disability NPOs, and the impacts attributed to these innovative strategies (*Chapter 4*). Stemming from this NSI model, we generate four main ‘*working*’ hypotheses as follows:

- ***Hypothesis 1:*** A complex interplay of internally-oriented and externally-oriented capabilities, in the form of pivotal capabilities, could lead to NSI development.
- ***Hypothesis 2:*** Not all pivotal capabilities may be required for NSI, and the choice of which capabilities to deploy is likely to depend on the specificity of organizational and environmental contexts.
- ***Hypothesis 3:*** Successful NSI development is anticipated to be a mechanism by which organizations may alter broader community and societal structures and thus contribute to social change.
- ***Hypothesis 4:*** Certain enabling conditions may strengthen the potential for an NSI to generate social change at community and/or societal scales.

Hypotheses 1 and 2 pertain to the first part of this study's research question (i.e. *within the disability NPO context, what organizational capabilities are required for the development of social innovations?*), and the third and fourth hypotheses are relevant to the second part of the research question focusing on impacts (i.e. *what impacts can be attributed to the successful implementation of social innovations by NPOs?*).

As the 'end point' of the abduction process, these tentative working hypotheses represent plausible, but not yet logically necessary, conclusions (Kovács & Spens, 2005). In order to verify these hypotheses, a follow-on phase of quantitative and/or qualitative testing must be carried out. This study's research design is structured such that the working hypotheses arising out of the abductive case study phase are directly tested in a subsequent sector-wide study. This next (Phase 2) component of the study, including the results of the hypothesis testing and its fulfilment of practice–theory building, will now be discussed.

### **6.5 Phase 2: Sector-wide study**

Phase 2 tests the working hypotheses generated from the abductive case studies in Phase 1. It involved a mixed methods investigation into NPO-based social innovation across the nation-wide disability sector. The survey instrument was designed to directly test the use of pivotal capabilities for NSI development and the role of enabling conditions for maximizing NSI impact. Prior to dissemination, the survey instrument was 'cognitively tested' through face-to-face interviews with 16 CEOs from the sector. Following the testing phase, the research team sent a hard copy survey to the CEO or senior manager of all NPOs operating in Australia that were registered with the NDIS (n=735). A total of 308 surveys (representing 42% of the total population) were completed, with 301 NPOs reporting the development of an organization-level social innovation during the previous two years. The survey was

followed by the collection of qualitative data through 14 semi-structured interviews with CEOs who had participated in the survey.

Phase 2 of this research project bridges the complexity theorizing and practice-based findings of the abduction process with configurational methods, i.e. fuzzy-set qualitative comparative analysis (QCA), in order to capture the nonlinear, systemic dynamics of the social innovation phenomenon at a whole-of-sector level. QCA is a set-theoretic method that empirically tests for complex causal structures and ‘equifinality’ (Katz & Kahn, 1978) by examining relationships between a given outcome and all possible combinations of binary states (i.e. presence or absence) of its predictors (Ragin, 2000). Based on the notion of configurations (Fiss, 2007), each separate case can be viewed as characteristic configurations (combinations of capabilities or enabling conditions), thereby making it possible to view the interdependencies of the different parts which form a coherent whole within a given context (Ragin, 1987).

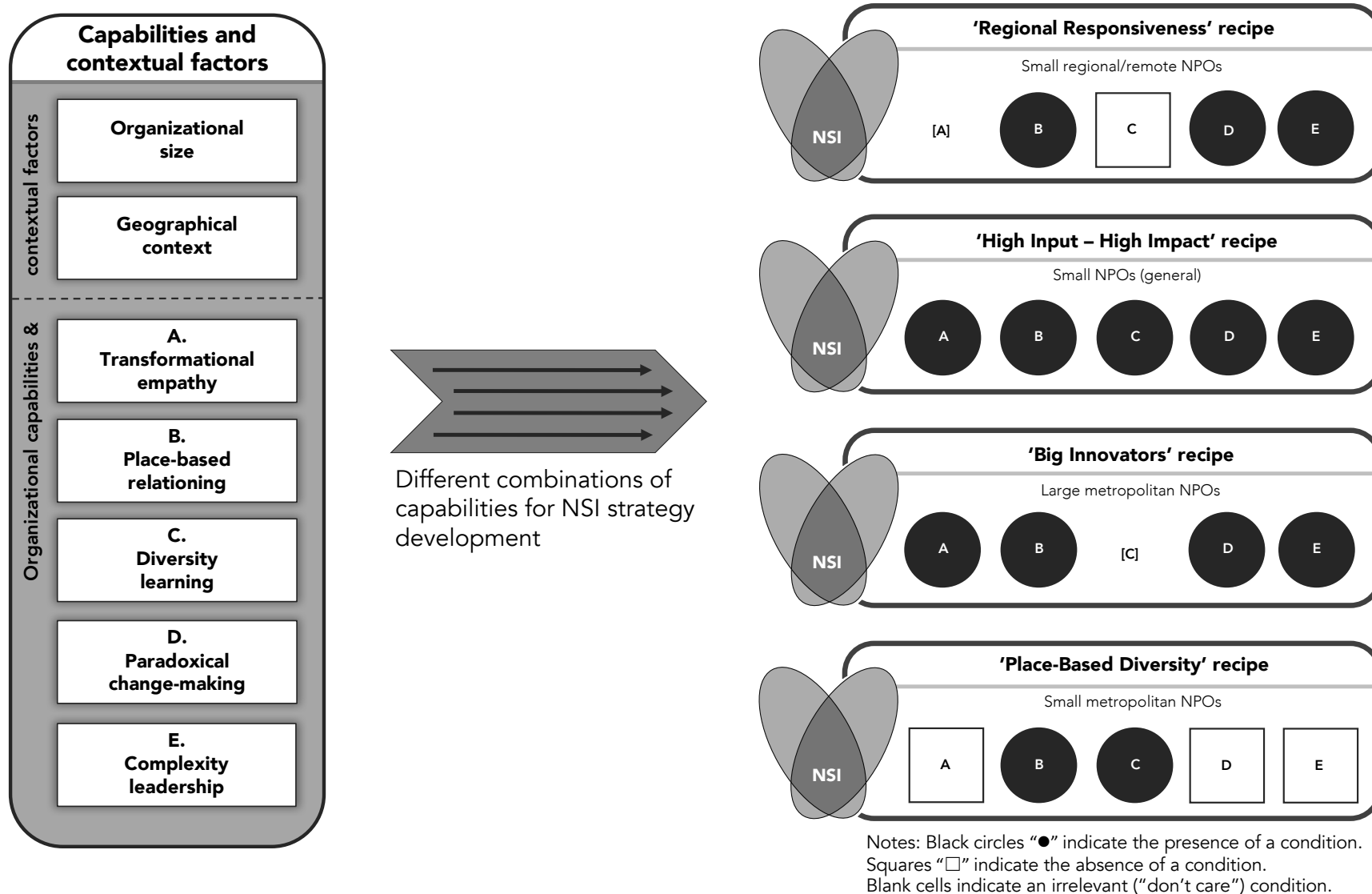
Two fuzzy-set QCA analyses were carried out in the Phase 2 component of this study (*Chapter 5*). The first QCA analysis (*QCA Analysis 1*) identifies the configurations of the five pivotal capabilities to ascertain the conditions for high-level NSI development. The contextual factors of organizational size (large or small) and geographical location (metropolitan or regional/remote locality) are incorporated into *QCA Analysis 1* in order to interpret certain context-dependent elements of social innovation in NPOs (Moulaert et al., 2005). The second QCA analysis (*QCA Analysis 2*) tests for the enabling conditions used to orchestrate NSI implementation in order to generate high levels of societal benefits. In order to implement NSIs successfully and attain benefits at community and/or societal scales, this second QCA analysis focuses on the interactivity of high levels of NSI development together with personalized, systemic, and risk-focused enabling conditions.

Subsequent to the survey phase, 14 semi-structured interviews with CEOs who had participated in the survey were conducted. Roughly equal numbers of CEOs from small regional/remote NPOs, small metropolitan NPOs, and large metropolitan NPOs participated in this aspect of the study. Through the 45-60 minute interviews, the researcher gained rich qualitative insights into the socially innovative practices occurring in particular NPO contexts. The data were thematically coded and integrated with the QCA findings to provide a more in-depth understanding of the contextualized processes linked to NSI.

## **6.6 Key findings from the QCA analyses**

### *QCA Analysis 1*

The first QCA analysis uncovers four solutions, or ‘recipes’, for capability deployment by socially innovative NPOs, as depicted in Figure 6.4 below. Solution 1 (referred to as the ‘Regional Responsiveness’ recipe) specifically pertains to small regional/remote NPOs. This solution indicates that the pivotal capabilities of place-based relationing, paradoxical change-making, and complexity leadership lead to high levels of NSI development by these organizations. However, due to the presence of particular environmental factors, it was found that the capability of diversity learning is not harnessed. The results for solution 2 (labeled ‘High Input – High Impact’ recipe) highlight that small NPOs, irrespective of their location, are able to develop social innovations by deploying all five capabilities. Solution 3 (the ‘Big Innovators’ recipe) focuses specifically on large metropolitan NPOs, and outlines the importance of using four capabilities in combination (transformational empathy, place-based relationing, paradoxical change-making, and complexity leadership). Lastly, solution 4 (‘Place-Based Diversity’ recipe) reveals that the two capabilities of place-based relationing and diversity learning are critical for social innovation development by small metropolitan-



**Figure 6.4: Configurations of organizational capabilities for Nonprofit Social Innovation (NSI) development by NPOs**

based NPOs. This targeted capability arrangement renders the other three capabilities as not required by these organizations.

The results from *QCA Analysis 1* highlight a number of important findings that have the potential to enhance an understanding of organization-based social innovation. First, the findings lay emphasis on the organizational capability of place-based relationing. This capability appears in all four solutions, rendering it a ‘necessary’ condition for social innovation adoption by disability NPOs. The prominence of place-based activities suggests that a territorial or ‘place’ dimension may be essential for theoretical understandings of social innovation (Butkevičienė, 2009; Gerometta et al., 2005; Moulaert et al., 2005; Neumeier, 2012). This contributes a salient perspective on NPO-based social innovation. Yet, it must be noted that this dimension is not sufficient on its own to drive high levels of NSI development by these organizations; all four solutions in *QCA Analysis 1* include additional capabilities in conjunction with place-based relationing. The ramification of this finding for social innovation theory points to a pluralistic explanation; what this means is the influence of localized responses may be undeniably important for social innovation, however it requires the integration of additional organizational capabilities beyond solely community-focused approaches.

Another key take-away from the *QCA Analysis 1* findings is that there is no single pathway or one ‘best’ approach to social innovation adoption by NPOs that can suffice for all contexts and contingencies. Thus, the importance of ‘place’ is evidenced not just in terms of the capability of place-based work as described above, but also through the alternative ways NPOs combine and harness capabilities as they innovate *within different contexts*. These QCA findings address some pressing questions that have remained largely unanswered in disability and social innovation research: namely, “what works... for whom, and under what conditions?” (Barton, Robinson, Llewellyn, Thorncraft, & Smidt, 2015, p. 39). For instance,



for regional and/or remote NPOs, the particular combination of capabilities used can be seen to form a vital response to the challenges this context poses for socially innovative service delivery (NRHA, 2013). Prior research into social programs within these localities evidences the effects of geographical-related factors such as distance, isolation, and disadvantage (Barton et al., 2015; Matheson, Dew, & Cumming, 2009). An interesting element to the findings, however, is that these NPOs specifically did not harness the capability of diversity learning. Although extant studies emphasize co-evolutionary learning processes (Neumeier, 2012) and knowledge synergies (Butkevičienė, 2009) for fostering social innovations as part of rural development in European contexts, the findings of the current study may reflect the greater levels of remoteness within the Australian context resulting in significant barriers to participation in external networks and limited pools of diverse staff and volunteers for these NPOs to draw upon (NRHA, 2013). This shines a light on the importance of social innovation's contextualized expressions (Howaldt & Schwarz, 2010).

Just as geographical contexts may shape social innovation adoption, different organizational traits are found to give rise to different arrangements of capabilities. For example, according to the *QCA Analysis 1* results, large NPOs operating in metropolitan areas demonstrate the use of four capabilities, whereas small NPOs also operating in metropolitan areas are found to develop social innovations through the adoption of just two capabilities (with the only commonality being the place-based relationing capability). Within the extant literature, organizational size has been found to alter the innovative capacity of NPOs (Billis & Glennerster, 1998; Green & Mears, 2014; Productivity Commission, 2010), and so too the configurational analysis findings allude to such distinctiveness of practices within disparate organizational settings.

Significantly, the *QCA Analysis 1* findings provide a holistic, complexity-based explanation of NSI development by uncovering the interrelatedness of causal processes as

they manifest in response to localized conditions (Matheson et al., 2009). For instance, in returning to comparison of large- and small-sized NPOs, comprehending the underlying system trajectories is possible based on the QCA analysis. In relation to large NPOs, direct client participation, context responsiveness, ambidextrous modes of operating, and a complexity leadership model must all be explicitly harnessed, i.e. a large variety of actions and systems are instrumental for social innovation adoption by these NPOs. This broad set of capabilities may be important for overcoming the often inbuilt inflexibility of bureaucratic systems within these particular organizations and a greater distance between key organizational decision-makers and service users (Hammack, 1995). On the other hand, smaller NPOs in metropolitan contexts evidently focus on developing tailored service offerings in partnership with other community actors and networks, which is perhaps due to their community embeddedness (Toepler, 2003). By uncovering these configurational patterns, the QCA findings can ascertain the role of initial conditions and complex causal relationships within different cases. They also offer a view of system behavior which showcases how the different parts (i.e. capabilities) may interact to form a coherent whole within a given context.

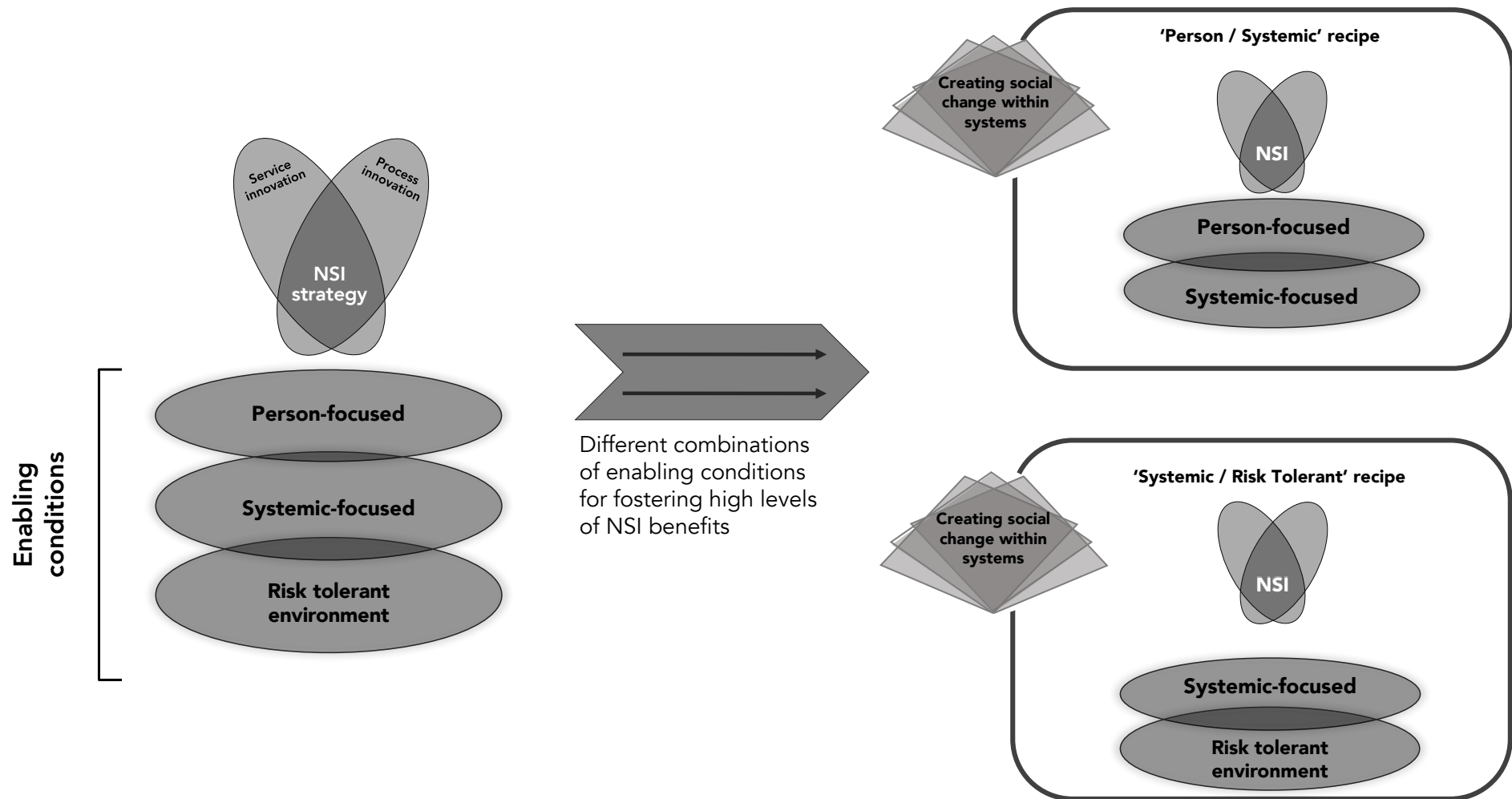
In summary, the results from *QCA Analysis 1* suggest that high levels of NSI development stems from a complex interplay of pivotal capabilities, thus supporting Hypothesis 1. The context-related factors of geographical location and organizational size influence whether all of the five pivotal capabilities need to be present and deployed in an integrated way for high-level NSI development, which supports Hypothesis 2.

### *QCA Analysis 2*

The second QCA analysis pertains to the enabling conditions that promote an NPO's implementation of an NSI with high-level benefits. The two solutions generated in *QCA*

*Analysis 2* are depicted in Figure 6.5 below. Both solutions indicate that a high level of NSI development is necessary but not sufficient for attaining significant community-level or societal benefits. These QCA results, along with the CEO interview data, imply that high levels of societal benefits are not easily achieved by socially innovative NPOs. To some extent, this supports the existing concept of ‘systemic social innovation’ (Davies et al., 2012), which posits that generating broad social change is beyond the scope of a single organization (Westley, Antadze, Riddell, Robinson, & Geobey, 2014). Yet while an NSI on its own may not lead to these kinds of benefits, *QCA Analysis 2* findings extend knowledge of the potential for organization-based social innovation to alter systemic structures in a number of key ways.

Systemic-focused conditions are found to play a crucial role, which means that NPOs must cooperate with a broad range of organizations (including organizations from different sectors), and at the same time draw heavily from those sources (Laursen & Salter, 2006). Yet focusing squarely on a systemic orientation is unlikely to be sufficient for attaining significant community-level or societal benefits. One way to enhance collaboration-based social innovations is by incorporating an intensively personal element (as per solution 1 in *QCA Analysis 2*, labeled ‘Person / Systemic’ recipe). This suggests that attempting to experiment exclusively at the level of the system (Davies et al., 2012) but not attending to the deep-rooted personalized aspects and the related ‘micro moments’ of change, may ignore or devalue the substrata of socially transformative agency that may be crucial for NSI (Hallahan, 2013). This finding points towards the critical importance of a complexity orientation within social innovation theory, whereby interconnected ‘parts’ at different social levels (Anderson, 1999), including the everyday interactions, relationships, and a wide range of ‘lower-level’ forms of self-organizing, are seen as having potential to lead to emergent ‘wholes’ within the system (Matheson, 2016).



*Figure 6.5: Configurations of enabling conditions for high levels of Nonprofit Social Innovation (NSI) benefits*

In the second solution within *QCA Analysis 2* (referred to as the ‘Systemic / Risk Tolerant’ recipe), systemic-focused enabling conditions are combined with a risk tolerant environment to generate social change within systems. While the nonprofit sector is generally recognized for its propensity for risk averse behaviors (Chalmers & Balan-Vnuk, 2012; Chetkovich & Frumkin, 2003), social innovations that can mitigate systemic forms of social exclusion may entail a high degree of risk tolerance (Howaldt & Schwarz, 2017). By combining this with systemic-focused conditions, systemic impact is achieved through collaboration-based projects involving high levels of uncertainty, such as cross-sectoral initiatives that look for emerging strategies with no specific final solution or ‘end point’ (Davies et al., 2012; Jankel, 2011).

To summarize the results of *QCA Analysis 2*, high-level NSI development is a necessary but not sufficient condition for high societal impacts to be achieved. NSI needs to be developed from the systemic-focused perspective and implemented in tandem with either person-focused or high-risk conditions in order to attain high levels of societal benefits from NSI. Based on these QCA results, Hypothesis 3 is partially supported and Hypothesis 4 is supported.

The next section of this chapter will discuss the implications of the study’s Phases 1 and 2 findings for theory of social innovation. This will be followed by a discussion of the implications for managerial practice, research design, and policy. The study’s limitations and directions for future research are provided at the end of this chapter.

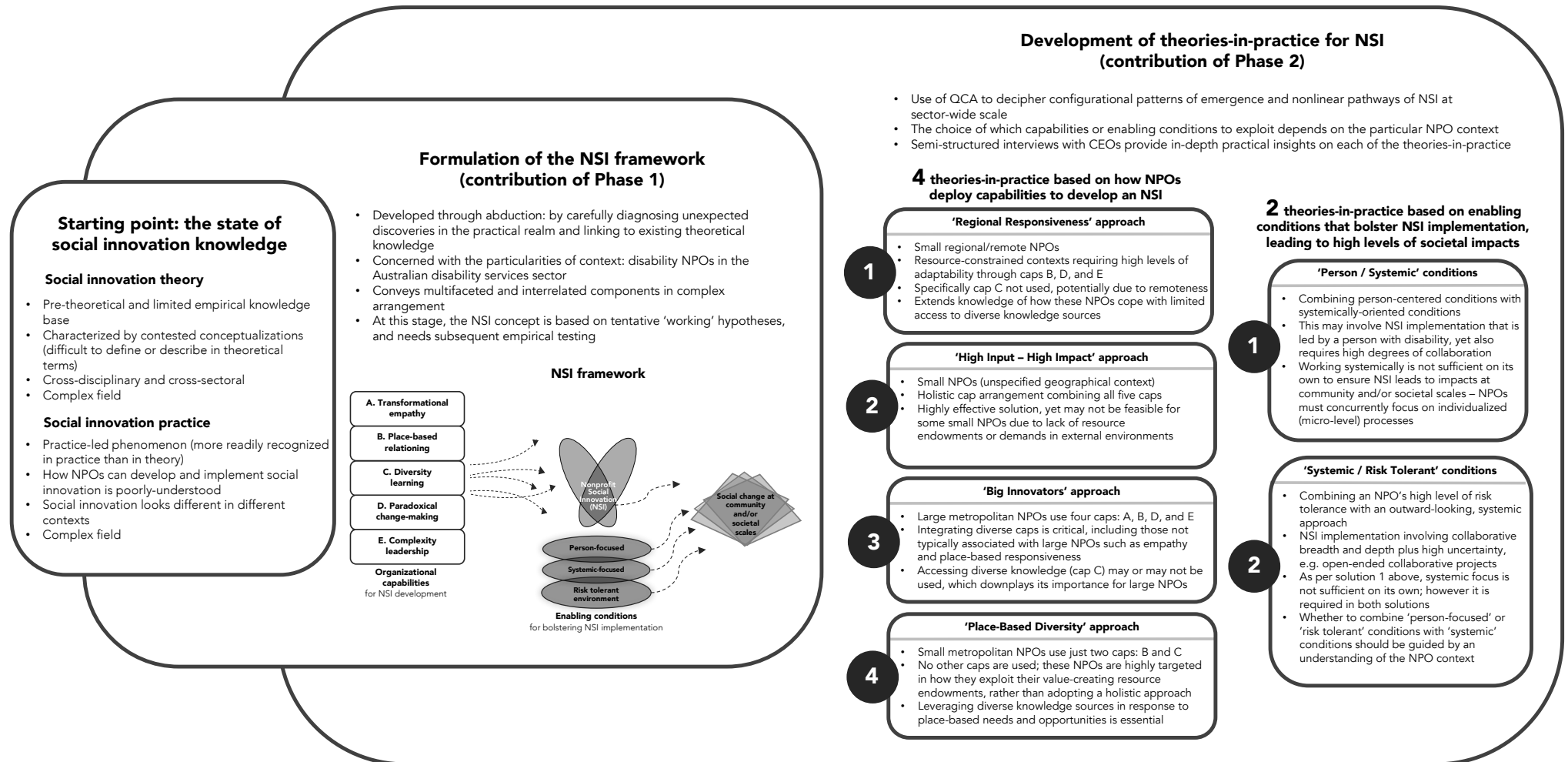
## **6.7 Implications for theory of social innovation**

In its entirety, this study entails a number of logical steps through abductive (Phase 1) and deductive/inductive (Phase 2) stages of inquiry that are guided by contextually-driven questions and explorations, and that utilize methods capable of measuring complex realities

(Woodside, 2014). It is through the culmination of these phases that this study is able to make a number of interesting and important theoretical contributions to the emerging field of social innovation scholarship. These key contributions, which lead to the development of theories-in-practice, are displayed in Figure 6.6 below.

The Phase 1 ‘abduction’ process, involving research-in-residences at two disability NPOs, laid the groundwork for the generation of new plausible hypotheses for explaining social innovation in NPOs. These hypotheses, which are encapsulated in the Nonprofit Social Innovation (NSI) conceptual framework, incorporate a diversity of constructs and mechanisms linked to social innovation in the particular contextual domain under study, i.e. within disability NPOs in the Australian disability services sector. While this inbuilt context-specificity may limit the NSI model’s direct applicability to other sectors or organizational types, it is in fact an important feature of its theoretical contribution. This is due to the abductivist logic behind the model’s formulation – based on a careful decrypting of real-world context/s, the synthesizing the concrete realities (perception) with higher-order reasoning (cognition), and linking these together to form plausible theoretical premises – all of which is vital for properly ‘establishing’ the social innovation phenomenon (Merton, 1987). Thus, the abductive foundation of this study’s NSI framework, which positions the particularities of the organizational context at its center (George, 2014), avoids grounding new social innovation theory in myths and superstitions (Van de Ven, 2015); or in other words, ensures sufficient diagnosis of the phenomenon.

Based on the extensive observational and interview data gained through the research-in-residences, it is apparent that a plurality of foci and a diverse range of participants act as key drivers of social innovation in disability NPO contexts. We draw connections between these practical realities through complexity theorizing, adopting a blended approach to theory construction that mindfully responds to the surprising paradoxes and unique forms of



**Figure 6.6: Two-staged theoretical contributions of the study**

emergence that characterize NSI. Such anomalous empirical patterns are not adequately explained by current social innovation theories (Howaldt & Schwarz, 2017; Phillips et al., 2014; Westley & Antadze, 2010). The study's use of a multi-theory lens to predict the key factors behind the development and implementation of social innovations by NPOs deviates from the typically mono-theoretical and/or atheoretical approaches found in the literature (e.g. Barraket & Furneaux, 2012; Chalmers, 2012; Svensson & Bengtsson, 2010; Weerawardena & Mort, 2012). Complexity theorizing allows for a holistic understanding of multiple levels of analysis (Byrne, 2005), and avoids delineating what are interlinked, emergent forces playing out across complex social systems.

Accordingly, the abductively-derived NSI framework provides a conceptual blueprint for social innovation in NPOs by conveying its multifaceted and interlinked components. While it is difficult to predict the ways in which a multiplicity of actions and conditions may ultimately lead to social change across complex systems (Howaldt & Schwarz, 2017), the NSI model takes a small yet critical step on the road to social innovation theory development by explaining: 1) the diversity of components behind this complex phenomenon – through theoretical pluralism it brings together different inter-disciplinary theories into careful arrangement; 2) how certain patterns emerge – this is outlined through the breadth of behaviors and routines which coalesce to form the capabilities in the NSI framework; 3) the interconnections between different components – the many internal/external sub-capabilities align in particular formations to create the complex 'pivotal' capabilities in the framework; and, 4) the possible influence on long-range outcomes – the NSI framework offers a rudimentary theory of 'initial plausibility' (Haig, 2005) for explaining how organizations may contribute to social change processes through NSI.

Yet, abduction on its own does not yield highly developed or well-validated theories, but instead serves as a starting point for the development of new theories (Kovács & Spens,



2005). Thus, the Phase 2 component of this study builds directly upon the tentative theoretical understandings that emerged out of Phase 1 by bridging complexity theory with configurational thinking and QCA analysis methods (Fiss, 2007; Ragin, 2000). Critically, the second phase repositions the study's lens from the localized scale of the two researcher-in-residence investigations to adopt a sector-wide view. In so doing, it examines the interface between localized NSI trajectories and broader patterns of emergence across the system domain. Based on the testing of the NSI framework and the resultant QCA findings in Phase 2, a number of complexity-based rules of interaction (Burnes, 2005) can be ascertained. These consist of asymmetrical combinations of organizational capabilities and enabling conditions as used by the individual entities (disability NPOs) making up the system or population. From these rules, it is possible to decipher the diverse forms of self-organizing, as well as the nonlinearity and 'equifinality' of NSI, by identifying how different capabilities and enabling conditions are harnessed within different organizational contexts, and to what effect.

Through Phase 2, this study is able to formulate contextualized 'theories-in-practice' (Argyris & Schön, 1974) to understand social innovation in NPOs. This interrelated set of middle-range theories encapsulates the dynamic properties of NSI's patterns of emergence. Theories-in-practice are instrumental in connecting localized and systemic realities. First, at a local level these theories contribute useful knowledge into NSI's complex causal structures and its varied contextualized manifestations. For example, such theories recognize that different geographical and organizational contexts are likely to have different ways of responding, as "no two communities will be identical and small differences matter" (Eppel, Matheson, & Walton, 2011, p. 53). Second, these theories can be understood systemically, according to a whole-of-population perspective consisting of multiple trajectories within broader systems of social transformation.

Thus, in terms of this study's sequential steps of theory development, the theoretical contribution of the Phase 2 investigation is the transformation of the NSI model from an undifferentiated or globalized (Fox, 2003) theoretical construct explaining NPO-based social innovation (i.e. as per the untested, 'tentative' NSI model as it was understood at the end of the abduction phase) into several contextually responsive 'theories-in-practice'. Through both the Phase 1 and Phase 2 theoretical contributions, which are logically and intimately linked, this study is able to contribute holistic new understandings to the young and growing field of social innovation research. In broad terms, the study's theoretical contribution elucidates how NSI may serve as a mechanism by which localized NPO-driven action can be influential in altering the broader temporal-spatial fabric of society.

## **6.8 Implications for managerial practice**

Through the development of theories-in-practice, this study serves as a change process based on trans-disciplinary problematization (Moulaert, MacCallum, & Hillier, 2013), involving researchers and organizational actors collaboratively tackling an issue of shared concern (such as the current lack of knowledge about social innovation), with the aim to jointly contribute perspectives, expectations, and experiences that can increase the broader system's capacity to confront critical challenges. This contribution of change-oriented findings is a hallmark of complexity theory's focus on *prescriptive* (as in, *how* to change), rather than purely *descriptive* forms of knowledge (Morrison, 2005). Based on the complexity theory tenets of self-organization, context-specificity, and equifinality, the social innovation pathways presented in the NSI framework and the formulation of theories-in-practice provide practitioners with knowledge into the specific ways that complex problems can be addressed according to localized conditions and constraints. This is arguably a necessary hallmark of social innovation research that intends to bear fruit for practitioners (Birkinshaw, Healey,

Suddaby, & Weber, 2014), as systemic social problems are unlikely to have one ‘best’ approach to solve them (Eppel et al., 2011).

The study’s findings attempt to support managers to become more adept at weaving ambiguity into every action (Weick, 2015) as a way of countering the potential disabling effects that complexity may otherwise have on NPO managers and their teams. This is a requisite mode of thinking and operating for managers seeking to use NSI for dealing with the mess of social change. As such, we propose that the strength of the complexity-informed theories-in-practice is their capacity to: 1) avoid being overly prescriptive or uniform, incorporating a multiplicity of perspectives or actions; 2) communicate the subtle patterns and underlying order within the SI phenomenon, but also remaining malleable, fine-tunable, and responsive to different conditions as and when needed; 3) allow for a level of ambiguity via localized and evolutionary pathways; and, 4) encourage continual evaluation of experience as it occurs via actions and reactions through feedback loops. An example of a bespoke research output arising from this project is an accessible ‘Easy Read’ summary booklet (Appendix 15) which is intended to inform and support NPO practitioners and members of the disability community to engage in social innovation in purposeful ways.

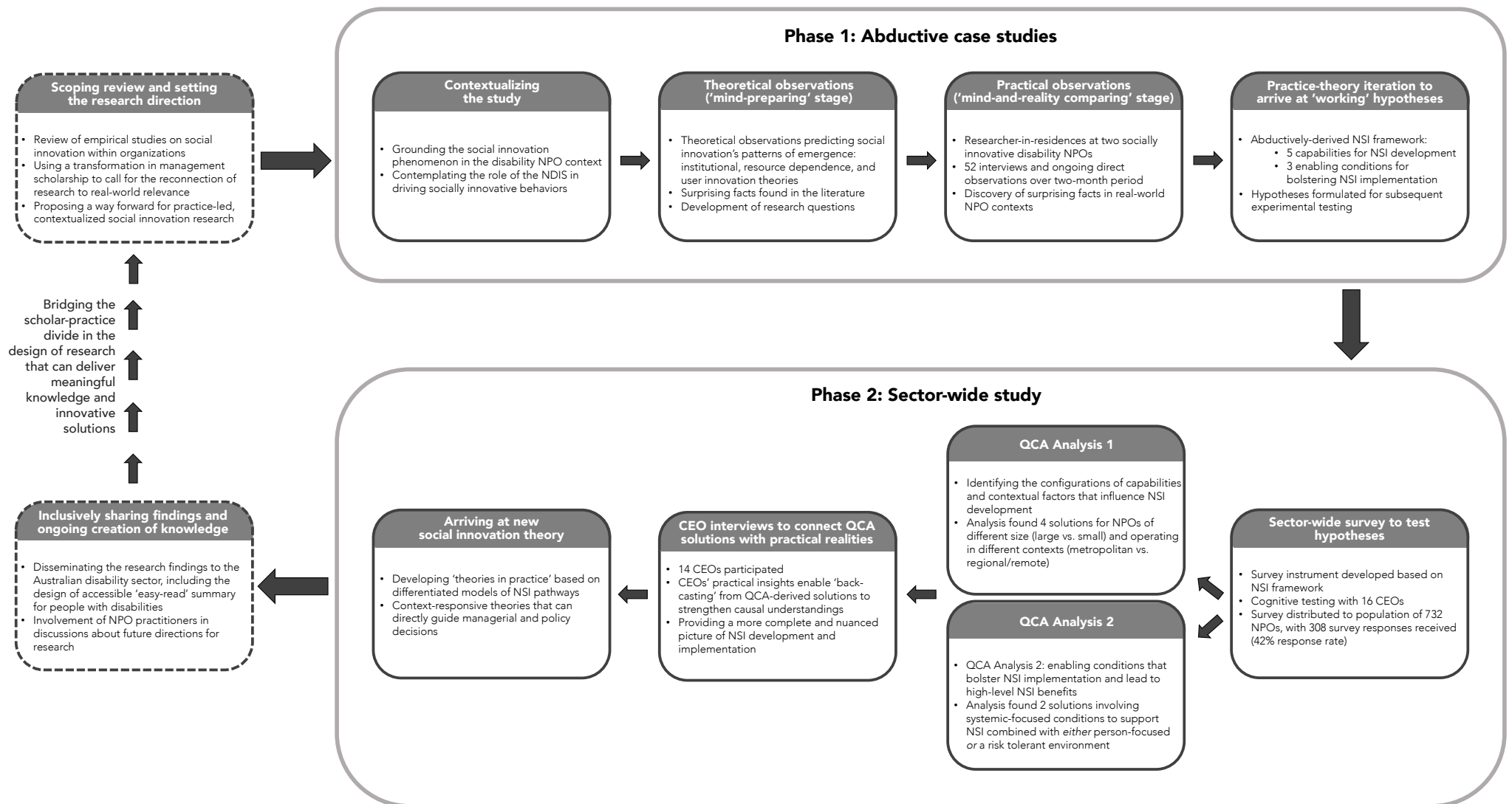
Finally, from a complexity standpoint it is important for managers to view their NPO-driven actions and processes, and the environments that encase them, as intrinsically linked to whole system dynamics (Westley et al., 2014). By viewing NSI through a complex systems perspective, individuals and teams working ‘on the ground’ can come to understand how specific actions and relationships occurring at local scales are connected to broader structures, including the inequitable structures they are seeking to change. The study findings highlight the systemic potential of NPO-based social innovation; yet at the same time the findings also emphasize the role of person-focused (micro) elements, along with risk-tolerance (a meso-level element), as important enabling conditions for bolstering NSI that can

lead to high levels of societal benefits. From a ‘whole system’ perspective, these layers are inexorably linked. By understanding the intrinsic value of the human-centered interactions occurring at these micro/meso layers (i.e. in everyday situations involving both people with disabilities and non-disabled people), this study provides these disability NPO actors with a greater understanding of their own critical agency in social change processes. As Matheson (2016, p. 828) explains: “For interventions to be effective in the long-term, it is the qualitative features of real interactions – in particular the manifestation of power relationships – that matter”. This aspect of the study’s findings may thus serve as a small yet meaningful contribution that revitalizes the role played by individuals and groups as they work at local scales towards social change.

## **6.9 Implications for research design**

Along with its contribution to theory-building and fostering realizable advancements in the world of practice, another aim of this research is to develop new competencies in methodology and research design in the field of social innovation research, and within the management discipline more broadly. A complete diagrammatic overview of the steps in this multi-staged research project is depicted in Figure 6.7 below. Sequential practice–theory building processes can be seen to thread through each stage of this research journey.

Following the initial scoping phase of this study (*Chapter 1*), it was determined that the empirical starting point for this inquiry into the poorly-understood topic of social innovation would be through an abductive method of inquiry. By engaging in abduction’s ‘sensing’ processes, involving high degrees of intuition, creativity, and openness to surprise and paradox, the researcher is able to traverse meaningful knowledge-creation pathways. This necessarily occurs both in the practical (physical) realm and the theoretical (mental) realm. The current study posits the use of the ‘abduction’ process for nonprofit scholarship (Taylor



**Figure 6.7: Summary of research steps undertaken in the study**

et al., 2018) as a valuable methodological approach which can be used by researchers to access the phenomenal aspects of social innovation – aspects that are very often hidden or that fall outside the reach of ‘scientific objectivity’ (Birkinshaw et al., 2014). This abduction process could also be applied to research on other pre-theoretical or perplexing phenomena.

Another contribution in terms of research design is the pragmatic blending of abductive logics of inquiry and complexity theorizing. The theoretical propositions that are put forward at the conclusion of Phase 1 of this study (and then subsequently tested in Phase 2), are made possible through abduction’s contextualized judgments, openness to paradox, and researcher reflexivity, which we posit are a natural fit with a complexity theorizing approach. As far as can be ascertained, the direct methodological linking of abductive-based inquiry with complexity theory has not been explicitly used for the formulation of new theories in this or other domains.

Phase 2 of this study highlights the usefulness of configurational approaches for explaining and predicting patterns in highly complex and heterogeneous organizational domains. This study’s QCA/configurational methods are linked explicitly with complexity theory to provide a holistic view of phenomena whereby the ‘parts’ take their meaning from the ‘whole’ and cannot be understood in isolation (Meyer, Tsui, & Hinings, 1993). As demonstrated in the current study, configurational approaches are valuable for deciphering complex phenomena based on comparable cases (i.e. the 301 disability NPOs participating in the survey that developed/implemented social innovations). These methods not only uncover coherent patterns which can be viewed as typologies (i.e. sets of configurations collectively denoting a subset of the target population of organizations) (Miller & Friesen, 1984), but can also unravel the asymmetrically entwined components of NSI by discerning how different variables may be causally linked in one configuration, but then demonstrate no relationship (or an inverse relationship) in another configuration (Meyer et al., 1993).

For comprehensive, context-dependent concepts such as social innovation, underlying processes are not easily assessable (Moulaert et al., 2005). For this reason, the current study set out to develop valuable synergies between theory, method, analysis, and practice on the path towards a more grounded and robust understanding of social innovation. While this study's research design principles hold direct relevance for social innovation research, we argue that they may also hold lessons for management and organization scholars across diverse topic areas. By drawing together abductive researcher-in-residencies, complexity theorizing, and configurational/QCA analyses, we aim to showcase the potential for management and organization scholarship to: 1) tackle empirically challenging problems through direct engagement in real-world contexts, (Birkinshaw et al., 2014; George, 2014; Van de Ven, 2015); 2) formulate hypotheses out of abductive discoveries made directly within these sociocultural contexts so as to avoid errors in interpretation (Taylor et al., 2018); 3) use analytical methods that are capable of testing for complex causality and equifinality (Ragin, 2000; Woodside, 2014); and perhaps most importantly, 4) create new knowledge that is socially valuable which can lead to purposive action in the world of practice (Peirce, 1997; Starbuck, 2004).

### **6.10 Implications for policy**

This study is situated in the midst of a turbulent and game-changing period of social reform in Australia (Connelan, 2014; Goggin & Wadiwel, 2014). For decades, the government has relied on NPOs to deliver welfare services and social programs which aimed to benefit people with disabilities (Hallahan, 2013). However, according to the highly influential Productivity Commission (2011) report, *Inquiry into Disability Care and Support*, the disability services sector has been characterized as inequitable, fragmented, and giving people with a disability little choice with regards to service design and delivery (Productivity Commission, 2011).

With the NDIS rollout in the Australian disability sector, a major paradigm shift providing the structural means for socially innovative and rights-based community care services for people with disabilities has now become a real possibility (Green & Mears, 2014).

While the development of a responsive disability services marketplace with effective and efficient service provision is one key aspect which may drive innovation in the sector (Connellan, 2014; Skelton, 2016), at the heart of present-day policy frameworks is an explicitly stated vision for “an inclusive Australian society that enables people with disability to fulfil their potential as equal citizens... [through] innovation in the design of communities and environments to invite participation on a universal and equal footing” (FAHCSIA, 2011, p. 22). This vision suggests an imperative to look beyond quantifiable notions of service delivery, i.e. in terms of observable and ‘knowable’ processes with measurable outcomes, based on ‘how many’ or ‘how much’ (Stainton, 2002), to instead embrace new ways of tackling entrenched forms of social exclusion. Yet an absence of rigorous analysis into how NPOs can play a role in contributing socially innovative solutions may be holding back the social justice elements outlined within current policy agendas.

A lack of knowledge about the practice of social innovation and its sector-wide patterns may make it difficult for governments to shape public policy in ways that can constructively promote socially innovative behavior (Mulgan, 2006). We argue that for these new policy directions to be realized, government’s recognition that implementation of the NDIS is influenced mainly from ‘the bottom up’, and not the other way around (Hallahan, 2013), is critical. This means understanding how the social objectives of the NDIS policy may be interpreted, enacted, and ultimately become a reality within local NPO contexts. The study findings reveal that this often occurs in idiosyncratic ways, as NPO practitioners develop contextually-sensitive responses informed by their experiential knowledge of both local conditions and systemic barriers.



Through the study's findings which explore the effects of context, policymakers will be better placed to develop informed policies and interventions that develop, support, and sustain NPO-based social innovation. While current capability building activities in the sector in response to the NDIS rollout typically focus on the ubiquitous needs of all NPOs (Vanstone & Graham, 2016), this study's findings make it possible for peak bodies and/or governments to differentiate their sector development approaches. For example, to better enable regional/remote NPOs to address local challenges, organizational development programs for these NPOs could focus on building capacity in place-based relationing, paradoxical change-making, and complexity leadership (which were found to be necessary ingredients in the 'Regional Responsiveness' recipe). For small metropolitan NPOs, on the other hand, organizational capability-building focusing on peer-to-peer collaboration within local settings may lead to an increase in their socially innovative capacity (in accordance with the capabilities outlined in the 'Place-Based Diversity' recipe).

Overall, the study's identification of a diversity of NSI pathways and influencing factors means that more flexible, non-prescriptive regulatory mechanisms on the part of government may be conducive to greater levels of NSI in the sector. However, the rollout of the NDIS has been criticized for its overly constraining rules and pricing structures and a general lack of support for NPO engagement in systemic-focused activities (Smith-Merry et al., 2018). Overcoming these issues may require that policymakers: instigate more flexible funding streams, or what is termed 'catalytic funding' (Vanstone & Graham, 2016) to support socially innovative initiatives in the sector, rather than purely funding standardized delivery of services (Baker, 2017); allow for a requisite level of risk and/or disruption within NPO program offerings, which necessitates a loss of control or power for those who have typically acted as the decision makers for people with disabilities, i.e. traditionally the state has had almost total decision-making authority in this regard (Stainton, 2002); and, improve

communication between NDIS regulators and the service providers on the ground to enable knowledge about localized (and systemic) issues to filter back up (Smith-Merry et al., 2018).

### **6.11 Limitations of the study**

There are several limitations of this research that point to avenues for future research. Four of the limitations pertain to the study design, and a further three limitations stem from the difficulties in conceptualizing the social innovation phenomenon. In terms of the study design, this study's focus on a specific sector and organization type limits the transferability of findings. While the context-specific nature of this study is intentional and has been posited as a strength of the research design, it necessarily frames this study as a highly situated exploration into social innovation which may not hold direct relevance in other contexts. Second, the involvement of just two NPOs in Phase 1 as organizational case studies once again means that a narrow realm of practical experiences is captured in this study, rather than a wider ranging investigation which could be achieved by including a greater number of organizations as case studies. Limiting the number of case studies to two, however, was deemed necessary due to the extended timeframe required for the researcher to undertake data collection in Phase 1. Third, the Phase 2 survey findings are limited by the use of self-perceived outcome measures in the survey instrument. This makes it difficult to verify the accuracy of responses regarding organizational capabilities or objectively measure the benefits associated with social innovation outcomes, as the respondents were not requested to include substantiating evidence to support their claims. Fourth, the use of QCA as the data analysis technique in Phase 2 presents some methodological limitations that bear mentioning. For example, the results generated with QCA are 'sensitive to cases' such that adding or removing factors can potentially generate significantly different findings. The researcher must also subjectively select the thresholds for consistency, coverage, and the crossover point

in the calibration process (Ordanini, Parasuraman, & Rubera, 2014). Despite strict adherence to the methodological guidelines in the QCA literature (Ragin, 2000, 2008), the possibility for bias stemming from the analytical assumptions of the researcher should be acknowledged. To address this, 14 semi-structured interviews (subsequent to the QCA analyses) were carried out to verify the results based on the practical insights of CEOs from the sector.

Other limitations in this study are associated with the theorizing process. Although the theory-building steps leading to the formulation of the NSI framework are detailed through the account of the Phase 1 abduction process, it is important to note that theorizing is to a large extent driven by a number of inbuilt, often unconscious, criteria (Weick, 1989). This is particularly the case when a researcher must deal with complex subject matters. It is the theorist's own judgements that act as a defining feature of the theory construction process, which according to the philosophy of Peirce (1997), means that theoretical modelling cannot be expected to recreate reality in its exactness. Moreover, an underlying assumption of the NSI framework is that the possible outcomes of social innovation may involve long-term processes of social change. This renders the specificities of the social impact achieved as inherently difficult to measure (Davies et al., 2012). Likewise, it may also be problematic to attribute a particular social innovation that was previously implemented as the initial cause of complex social change processes (Howaldt & Schwarz, 2017). A final limitation of the conceptualizing process is that the meaning and implications of what is termed 'positive social change' is not clear-cut; rather, it is subjectively determined. In real terms, it is often based on deeming certain social objectives valuable or desirable, and as a result it is important to acknowledge that some individuals or groups may experience disadvantage in terms of the outcomes of NSI (Neumeier, 2012).

## 6.12 Directions for future research

This study points to a number of valuable future directions for social innovation research. In its current state of nascent knowledge development, expanding the field's coverage of empirical knowledge and strengthening its theoretical standing requires abductive logics to be employed in further research within different fields of practice, i.e. in other organizational settings and sectors. This will deepen the current knowledge of the phenomenon's untold contextual variations and complex realities, in recognition that "meaning is context bound, but contexts are boundless" (Culler, 1983, p. 123). Eventually, by comparing a wide range of close-range phenomenological explorations and then drawing them together in holistic alignment, cohesive social innovation conceptualizations may be achieved. This can ultimately lead to better explanations of social innovation's complex patterns based on parsimonious theories. Critical for management scholars researching into social innovation is a deeper involvement with organizational contexts, as this will contribute concepts and theories with a more distinct management and organizational feel to this cross-disciplinary domain (Birkinshaw et al., 2014).

The study of social change is inherently problematic due to the implications of power relations at different social levels and the trajectories of long-term processes of change that will always be uncertain (Matheson et al., 2009). A potentially fruitful way forward for social innovation researchers to overcome these challenges is the use of action research that directly works with cohorts of participants belonging to a designated field or situation to test out new ideas for social action. These socially innovative interventions are trialled through an unfolding and open-ended series of evaluative and reflective exchanges occurring in real-time (Fox, 2003). Importantly, for action research processes to be truly participatory and contribute to the socio-political empowerment of marginalized groups (Moulaert et al., 2013), it is vital for researchers to critically contemplate *who* are the people with a direct stake in the

research and its findings, and to directly include them in the research. For example, in the field of disability research, including people with lived experience of disability and mental health issues is essential for drawing upon their own perspectives and language in the adaptation of social innovation-related strategies and theories (Dew & Boydell, 2017).

Ultimately, the aim of social innovation research going forward should be to build new understandings that directly address the problems outlined by end-users and those involved in service delivery or policy, rather than being driving purely by ‘gap-spotting’ in the academic literature (Alvesson & Sandberg, 2013). This will ensure the research field can not only develop and refine theories that better respond to the variations in local situations and the nuances of social problems; it will also move social innovation scholarship into novel directions, influencing and shaping real-world possibilities within organizational domains and beyond (Starbuck, 2004). The findings of these research endeavors should be tested over long-range time periods and within multiple settings to enable researchers to better integrate the complex realities of social innovation, and the multiple and divergent steps along the pathways to social change.

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## Appendices

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### Project Information Sheet

Thank you for participating in the research study titled, '*A study of organisational capabilities and outcomes of social innovation in non-profit organisations: evidence from the Australian disability sector*'. This research is being conducted to fulfil the requirements of a PhD Degree for Rachel Taylor, under the supervision of Professor Anthony Arundel and Dr Ann Torugsa. The research team is based at the Australian Innovation Research Centre (AIRC), which is part of the Tasmanian School of Business and Economics (TSBE) at the University of Tasmania.

#### What is the purpose of this study?

This study aims to explore the emerging phenomenon of social innovation in the context of non-profit organisations (NPOs) operating in the Australian disability sector. It will investigate the organisational capabilities that may lead to the implementation and/or adoption of socially innovative processes and services, and will evaluate the effects of social innovation on the organisational effectiveness of NPOs.

#### What will you be asked to do?

Your organisation has agreed to be a case study for Phase 1 of the research project. This means that I will be based at your organisation for three weeks. During this time, you may be asked to be actively involved in this study by participating in a semi-structured interview (around 45-60 minutes) about your work practices within the organisation on one or more occasions. A semi-structured interview is an interview format that involves you being asked a series of set questions, although additional questions may arise as a result of the conversation. With your consent, this interview will be audio recorded using a hand held device. During the three weeks I will be at your organisation I may also observe you as you go about your day-to-day work, excluding your interactions with clients which is not a part of this study. These observations will be recorded via observational notes (no audio recordings will be taken outside of formal interviews).

#### What will happen to the information you provide?

All participants are guaranteed confidentiality. Any interview you participate in will be transcribed. Interview transcripts and information recorded about observations in the workplace will be used solely for the purpose of this research and will be viewed only by the researcher. Please be assured that that you (and your organisation) will not be identified by name in the doctorate thesis or any publications arising from this research. Instead, you will be referred to using a pseudonym. You will also be given an opportunity to review and correct a copy of the transcript. All research material will be kept securely in locked filing cabinets and on a password-protected computer in the AIRC's offices for a period of five years after the completion of the project, at which time all information will be destroyed.

#### What if you change your mind during or after the study?

You are free to withdraw from the study at any time without explanation. As your involvement is voluntary, there will be no consequences if you decide not to participate at any stage of this study.

#### How will the results of the study be published?

The findings from this study will be published in the PhD thesis and disseminated in conferences and journal publications. You are welcome to request a summary of the findings of this study upon its completion.

#### What if you have questions about this study?

If you have any questions about this research, please contact Rachel Taylor: [RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au) or 0421 753 866. Alternatively, you are welcome to contact the other researchers in the team:

Anthony Arundel: [Anthony.Arundel@utas.edu.au](mailto:Anthony.Arundel@utas.edu.au) / (03) 6226 7357

Ann Torugsa: [Nuttaneeya.Torugsa@utas.edu.au](mailto:Nuttaneeya.Torugsa@utas.edu.au) / (03) 6226 7383

This study is currently under review by the Tasmanian Social Sciences Human Research Ethics Committee (HREC), in which the HREC project number is H0015189. If you have any concerns of an ethical nature or complaints about the manner in which this study is conducted, please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email [human.ethics@utas.edu.au](mailto:human.ethics@utas.edu.au). The Executive Officer is the person nominated to receive complaints from research participants.

**Thank you for taking the time to read this information sheet and for your involvement in this study.**

### Project Information Sheet - Client Participants

Thank you for participating in the research study titled, '*An abductive study of organisational capabilities and outcomes of social innovation in non-profit organisations: evidence from the Australian disability sector*'. This research is being conducted to fulfil the requirements of a PhD Degree for Rachel Taylor, under the supervision of Professor Anthony Arundel and Dr Ann Torugsa. The research team is based at the Australian Innovation Research Centre (AIRC), which is part of the Tasmanian School of Business and Economics (TSBE) at the University of Tasmania.

#### What is the purpose of this study?

This study aims to explore the topic of social innovation in non-profit organisations (NPOs) operating in the Australian disability sector. During a three week researcher visit, Rachel Taylor will speak with and observe managers, staff members and clients at [X – insert case study organisation name] to find out how the organisation is able to change and improve what it does as a disability support provider. For example, Rachel will aim to find out the ways the organisation encourages the input of clients when it is making changes to its operations, and how this might lead to enhanced improvements in its services for people with a disability.

#### What will you be asked to do?

[X – insert case study organisation name] has agreed to be a case study for Phase 1 of the research project. This means that Rachel will be based at the organisation for three weeks to collect information. During this time, you may be asked to be actively involved in this study by participating in a semi-structured interview (around 45-60 minutes) about your activities within the organisation. A semi-structured interview is an interview format that involves you being asked a series of pre-arranged questions, although additional questions may arise as a result of the conversation. With your consent, this interview will be audio recorded using a hand held device. During the three weeks Rachel will be at [X – insert case study organisation name] she may also observe you as you access client services. These observations will be recorded via observational notes (no audio recordings will be taken outside of formal interviews).

#### What will happen to the information you provide?

All participants are guaranteed confidentiality. Any interview you participate in will be typed up in full (transcribed). Interview transcripts and information recorded about observations in the organisation will be used solely for the purpose of this research and will be viewed only by the researcher. Please be assured that that you will not be identified by name in the doctorate thesis or any publications arising from this research. Instead, you will be referred to using a pseudonym. You will also be given an opportunity to review and correct a copy of the transcript. All research material will be kept securely in locked filing cabinets and on a password-protected computer in the AIRC's offices for a period of five years after the completion of the project, at which time all information will be destroyed.

#### What if you change your mind during or after the study?

You are free to withdraw from the study at any time without explanation. As your involvement is voluntary, there will be no consequences if you decide not to participate at any stage of this study.

#### How will the results of the study be published?

The findings from this study will be published in the PhD thesis and disseminated in conferences and journal publications. You are welcome to request a summary of the findings of this study upon its completion.

#### What if you have questions about this study?

If you have any questions about this research, please contact Rachel Taylor: [RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au) or 0421 753 866. Alternatively, you are welcome to contact the other researchers in the team:

Anthony Arundel: [Anthony.Arundel@utas.edu.au](mailto:Anthony.Arundel@utas.edu.au) / (03) 6226 7357

Ann Torugsa: [Nuttaneeya.Torugsa@utas.edu.au](mailto:Nuttaneeya.Torugsa@utas.edu.au) / (03) 6226 7383

This study has been approved by the Tasmanian Social Sciences Human Research Ethics Committee (HREC), in which the HREC project number is H0015189. If you have any concerns of an ethical nature or complaints about the manner in which this study is conducted, please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email [human.ethics@utas.edu.au](mailto:human.ethics@utas.edu.au). The Executive Officer is the person nominated to receive complaints from research participants.

**Thank you for taking the time to read this information sheet and for your involvement in this study.**

## Appendix 3: Project Information Sheet - Client Participants (Easy Read Version) - Phase 1

### Social Innovation Research Project

#### Information Sheet for client participants (Easy Read Version)

##### Introduction

Rachel Taylor is a researcher from the University of Tasmania.

Rachel is working on a research project and is asking you if you want to be involved or not. The research project is called: *'An abductive study of organisational capabilities and outcomes of social innovation in non-profit organisations: evidence from the Australian disability sector'*.

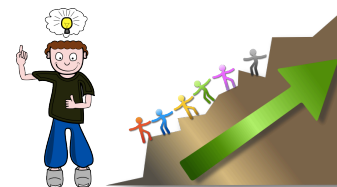


##### RESEARCH



##### What is this research about?

The research will find out how organisations like [X – insert case study organisation name] come up with new ideas and improved ways to better support people with disabilities. For example, the research will find out how [X – insert case study organisation name] tries to get feedback from clients like you because this can help the organisation improve.



##### What will you be asked to do?

Rachel will be researching about [X – insert case study organisation name] for 3 weeks. She will interview many different people at the organisation, one at a time. In each interview, Rachel will ask questions about the person's experiences at [X – insert case study organisation name] and their ideas about how the organisation tries to improve what it does.



A support worker from [X – insert case study organisation name] will be at the interview with you, and also your guardian/carer (if you want them to be there). Rachel will give you her list of questions before the interview so you can think about what to say.



The interview will take about 30-45 minutes. Rachel will use a recording device if you are happy for her to use it (it will record what you say, it is not a video).

Rachel will also visit some places where clients go to receive support services from [X – insert case study organisation name]. Rachel will look at what happens there and she might take notes about what she sees.



##### What will Rachel do after she talks with you or observes (watches) what happens at [X – insert case study organisation name]?

Rachel will first type up what you said in the interview. After this she will send you a copy of it so you can check it is correct and you are happy with it.



Your name will **not** be used in any research reports; a pretend name will be used instead of your real name so other people reading the report won't know you were involved.

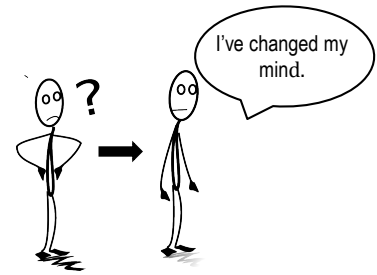
Your interview information will be kept in a filing cabinet in Rachel's office at the University of Tasmania, and it will be locked so it is kept private. It will stay there for 5 years after the research project is finished, and then all the information will be thrown in the bin.





### What if you change your mind about being involved?

At any time, you can change your mind and decide you don't want Rachel to include you in her research project. For example, you can tell Rachel you don't want to do an interview. Or after the interview has already happened, you can change your mind and tell Rachel to not use the information from the interview and delete it. This is OK, you are allowed to say "I don't want to be involved" and no one will be angry or annoyed if this happens.

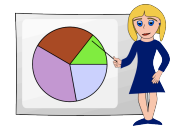


### How will this research be shown to other people?

Everything Rachel finds out in her interviews with people and by watching what happens at [X – *insert case study organisation name*] will be recorded because she is writing up a research report (thesis) for her university studies. Some shorter reports, called journal articles, may be put into online magazines and other people in the university sector will read them.



After she has written her reports, Rachel will give a presentation to clients at [X – *insert case study organisation name*], and also to managers and staff, to share with them face to face what she found out. She will contact you to invite you to the presentation closer to the date.



### What if you have questions?

If you have any questions about this research, you are welcome to contact Rachel at any time, or please ask a staff member at [X – *insert case study organisation name*] to contact Rachel on your behalf: [RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au) or 0421 753 866.

Or, you are welcome to contact the other researchers in the team:

Anthony Arundel: [Anthony.Arundel@utas.edu.au](mailto:Anthony.Arundel@utas.edu.au) / (03) 6226 7357

Ann Torugsa: [Nuttaneeya.Torugsa@utas.edu.au](mailto:Nuttaneeya.Torugsa@utas.edu.au) / (03) 6226 7383



**Thank you for reading this information!**

# Thank You



*This study is under consideration by the Tasmanian Social Sciences Human Research Ethics Committee (HREC), in which the HREC project number is H0015189. If you have any concerns of an ethical nature or complaints about the manner in which this study is conducted, please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email [human.ethics@utas.edu.au](mailto:human.ethics@utas.edu.au). The Executive Officer is the person nominated to receive complaints from research participants*

## Consent Form

***Project Title: An abductive study of organisational capabilities and outcomes of social innovation in non-profit organisations: evidence from the Australian disability sector***

1. I agree to participate in the research study named above.
2. I have read and understood the 'Information Sheet' for this study.
3. The nature of this study has been explained to me.
4. I understand that the study involves participation in one or more interviews over a three-week period during which time the researcher will be on site at my organisation. The interview/s I participate in will be approximately 45-60 minutes long and will be audio recorded and transcribed. I also understand that I may be observed for the purposes of this study as I undertake my day-to-day work.
5. I understand that the researcher will maintain confidentiality and that any information I supply to the researcher will be used only for the purposes of the research.
6. I understand that all research data will be securely stored at the University of Tasmania for a period of five years after the completion of the project. At the end of five years, all data will be destroyed.
7. I agree that research data gathered for the study may be published. However, I (and my organisation) will not be identified by name in any publications arising from this research.
8. I understand that I will be given an opportunity to review the information I have provided in my interview/s (e.g. read the interview transcript), and if I so wish, I may request that any information I have provided be withdrawn from the research.
9. I understand that my participation in this study is voluntary and that I may withdraw at any time without any effect.
10. I have had all of my questions answered to my satisfaction.

Name of participant:

Signature of participant:

Date:

Name of organisation:

Email address:

### Statement by researcher:

- ☐ I have explained the project and the implications of participation in it to this volunteer and I believe that the consent is informed and that he/she understands the implications of participation.

If the researcher has not had an opportunity to talk to participants prior to them participating, the following must be ticked:

- ☐ The participant has received the 'Information Sheet' where my details have been provided so participants have the opportunity to contact me prior to consenting to participate in this project.

Name of researcher:

Signature of researcher:

Date:

## Client Participant Consent Form

***Project Title: An abductive study of organisational capabilities and outcomes of social innovation in non-profit organisations: evidence from the Australian disability sector***

11. I agree to participate in the research study named above.
12. I have read and understood the 'Information Sheet' for this study.
13. The nature of this study has been explained to me.
14. I understand that the study involves participation in one or more interviews over a three-week period during which time the researcher will be on site at this organisation. The interview/s I participate in will be approximately 45-60 minutes long and will be audio recorded and transcribed. I also understand that I may be observed for the purposes of this study as I undertake my day-to-day activities in relation to accessing group-based services.
15. I understand that the researcher will maintain confidentiality and that any information I supply to the researcher will be used only for the purposes of the research.
16. I understand that all research data will be securely stored at the University of Tasmania for a period of five years after the completion of the project. At the end of five years, all data will be destroyed.
17. I agree that research data gathered for the study may be published. However, I will not be identified by name in any publications arising from this research.
18. I understand that I will be given an opportunity to review the information I have provided in my interview/s (e.g. read the interview transcript), and if I so wish, I may request that any information I have provided be withdrawn from the research.
19. I understand that my participation in this study is voluntary and that I may withdraw at any time without any effect.
20. I have had all of my questions answered to my satisfaction.

Name of participant:

Signature of participant:

Date:

Name of guardian (if applicable):

Signature of guardian (if applicable):

Date:

### Statement by researcher:

- ☐ I have explained the project and the implications of participation in it to this participant (and/or their guardian, if applicable) and I believe that the consent is informed and that he/she understands the implications of participation.
- ☐ The participant has received the 'Information Sheet' where my details have been provided so participants have the opportunity to contact me prior to consenting to participate in this project.

Name of researcher:

Signature of researcher:

Date:

## Appendix 6: Consent Form - Client Participants (Easy Read Version) - Phase 1

### Social Innovation Research Project

#### Client Participant Consent Form (Easy Read Version)

**Project Title: An abductive study of organisational capabilities and outcomes of social innovation in non-profit organisations: evidence from the Australian disability sector**

1. I am happy to be interviewed or be observed (watched) as part of the research project.



2. I have read and understood the 'Information Sheet' for this study.



3. I know what this research is about because it was explained to me.

4. I know that the interview will be for 30-45 minutes and the researcher will ask me questions in the interview.



A guardian/carer (if I want), and a staff member from [X – insert case study organisation name], will be there too.

The interview will be recorded.



I know that the researcher will watch some of the activities that happen at [X – insert case study organisation name], and she will record what she sees.



5. I understand the information I give will always be kept private. What I say to the researcher will be used only for the research project, and for no other reason.



6. I understand that the interview information will be kept in a filing cabinet in the researcher's office at the University of Tasmania, and it will be locked so it is kept private. It will stay there for 5 years after the research project is finished, and then all the information will be thrown in the bin.



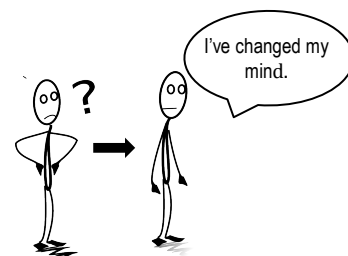
7. I am happy for the research report to be written and for others to read it. I understand that my name will **not** be used in the final research reports and a pretend name will be used.



8. I understand that the researcher will first type up what I said in the interview. After this she will send me a copy of it so I can check it is correct and tell her if I am happy with it. If I want, I can ask the researcher to not use my interview, and delete it all.



9. I understand that I don't have to do an interview or say yes to being observed for this research. I have a choice and I can say no, and I can change my mind at any time. This is OK, I am allowed to say "I don't want to be involved" and no one will be angry or annoyed if this happens.



10. I have asked all my questions about this and the answers were clear and helpful.



Name of participant: \_\_\_\_\_

Signature of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Name of guardian (if applicable): \_\_\_\_\_

Signature of guardian (if applicable): \_\_\_\_\_

Date: \_\_\_\_\_

**Statement by researcher:**

- ☐ I have explained the project and the implications of participation in it to this participant (and/or their guardian, if applicable) and I believe that the consent is informed and that he/she understands the implications of participation.
- ☐ The participant has received the 'Information Sheet' where my details have been provided so participants have the opportunity to contact me prior to consenting to participate in this project.

Name of researcher: \_\_\_\_\_

Signature of researcher: \_\_\_\_\_

Date: \_\_\_\_\_

## **Appendix 7: Interview Schedule - Managers and Staff - Phase 1**

### **Interview Schedule for Managers and Staff – Organisational Case Studies**

1. Can you tell me a bit about your role within the organisation?
2. What changes have occurred in the disability marketplace during the time you've been at this organisation? What key forces to you see as being at play?
3. How has your organisation adapted to these changes in the market and can you provide some examples?
4. What processes do you have in place in your organisation to predict potential future changes in the market?
5. The NDIS represents a significant change for the way the sector is structured. What has your organisation done to date to prepare for that change?
6. Within the new NDIS structures, how easy is it for you to create new services and processes within the organisation?
7. To what extent does your organisation collaborate with other entities within the sector? / ... or with other entities outside of the sector?
8. What has the impact been of these collaborations on how your organisation operates?
9. How does your organisation capture an individual client's experiences with your organisation and its services?
10. To what extent does the feedback from clients influence the way your organisation delivers its services, i.e. when coming up with new services or re-designing existing services?
11. Are these processes planned / formalised, or are they more of a spontaneous nature?
12. In what ways does your organisation encourage its staff (and managers) to come up with new ideas for improving its operations?
13. How does your organisation evaluate the effectiveness of its internal processes / ... and evaluate the effectiveness of its client services?
14. If you had to think of one factor here at this organisation that enables it to operate really well, what would it be?
15. What does the word innovation mean to you?

16. Do you think innovation is something that is the role of senior management only, or is it something that any staff members can do?
17. What do you think are the risks associated with innovation?
18. Do you think innovation is worth the risk? Why or why not?
19. What is the most innovative program or thing that happens here at this organisation?
  - a. Who is involved in making this innovation happen? What do the different people do?
  - b. Why do you consider it to be innovative? (What feature of it makes it innovative?)
  - c. What is the intended outcome of this innovation?

## **Appendix 8: Interview Schedule - Client Participants - Phase 1**

### **Interview Schedule for Clients - Phase 1**

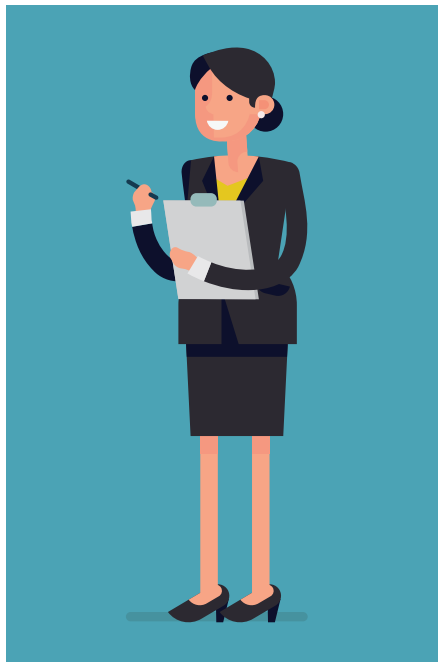
Questions for semi-structured interviews with the clients of disability non-profit organisations (NPOs) participating in Phase 1 of the study. Interviews to take place during my month-long fieldwork placements at two organisations in late 2015/early 2016.

Statement to client: "Your opinions and views as a client of this organisation are important for my research. There are no wrong answers, and everything you can tell me will be valuable. If you would prefer to do something else at any point during this interview, or if you begin to feel uncomfortable, please let me know or you can tell the staff member [in attendance]."

1. How long have you been participating in a program at this organisation?
2. What kinds of activities are you involved with?
3. What do you like about coming here?
4. Has the organisation changed since you've been coming here? If so, do you know why it changed?
5. Have you ever made any suggestions that have led to some changes being made here?
6. Do you have any ideas about how they can improve their service/s?
7. Have you ever told anyone about these ideas, or do you know who you would talk to about the ideas?
8. Do your parent or guardian ever communicate with the organisation about how to make the organisation and its services better?
9. What is the best change you've seen happen at the organisation in the time you have been here, and why do you think it is the best?



# PARTICIPANT OBSERVATION RESEARCH IN PROGRESS



A researcher from the University of Tasmania, Rachel Taylor, is conducting a research project. [Organisation Name] is one of the case studies in this project and Rachel will be here for one month to find out information about how we work.

The research project will explore the process of 'social innovation' in non-profit organisations in the Australian disability sector.

Rachel will be observing staff in the workplace and may take notes to record what she sees and hears. Before Rachel can observe you, she will ask if you want to participate or not.

For more information, please speak to Rachel in person at any time (she is based in [Room ...] and can be seen wearing a big name tag!) or you can contact her: [racheljean.taylor@utas.edu.au](mailto:racheljean.taylor@utas.edu.au)

There is also an information sheet available here for you to take.



### Project Information Sheet

We would like to invite you to participate in a PhD research project exploring social innovation in the Australian disability sector.

#### What is the purpose of this study?

This study aims to discover the methods and approaches used by disability service providers as they create new services and processes that not only enhance organisational performance, but also significantly transform the lives of people with disabilities and make our communities more inclusive, accessible and just.

Social innovation is a popular 'buzz-word' that many policy-makers refer to; and yet, what social innovation actually looks like on an everyday basis within organisations, and how it can be used to full effect, is not clear.

The critical value of this study will be to turn social innovation from a buzz-word into a real-world process, enabling managers and their staff to learn about effective strategies to enhance what they do, and increasing the capacity of organisations in the sector to be boundary-pushing and transformative.

#### Why have you been invited to participate?

This study focuses on how non-profit organisations in the disability sector operate as social innovators. By capturing your experiences and knowledge, or the insights of a manager within your organisation who has broad operational and service delivery experience, we hope to find out the extent to which your organisation has engaged in social innovation, and the tools or strategies you used.

Your participation in this research will make a valuable contribution to our sector-wide analysis of social innovation trends and outcomes. We look forward to directly sharing the results of this research with you at the completion of the project in 2018.

#### Who is conducting this research?

This research is being conducted to fulfil the requirements of a PhD Degree for Rachel Taylor, under the supervision of Dr Ann Torugsa and Professor Anthony Arundel, at the Australian Innovation Research Centre (AIRC) at the University of Tasmania.

#### What will you be asked to do?

Your participation in this study involves completing the enclosed survey and returning it to the University of Tasmania using the reply-paid envelope. Participation in this study is entirely voluntary. You can decline to answer any questions, or can decline to participate at all. Your completion and submission of the survey will **indicate your consent** to participate in this study.

The survey will take approximately 15 minutes to complete. We are aware that this is a very busy time for everyone in the sector, so for this reason we encourage you to respond with approximations in this survey.

Lastly, we wish to emphasise there are no 'correct' answers. Social innovation is complex, and therefore it is important that your survey responses highlight any difficult aspects of this process, as well as the successful aspects.

#### What will happen to the information you provide?

All participants are guaranteed confidentiality of their survey responses. Any information you provide will be used solely for the purpose of this research. The completed surveys will be viewed only by the researcher, and will be analysed and reported in statistical terms. Please be assured that that you (and your organisation) will not be identified by name in the doctorate thesis or any publications arising from this research.

All completed surveys will be kept securely in locked filing cabinets and on a password-protected computer in the AIRC's offices for a period of five years after the completion of the project, at which time all information will be destroyed.

### **What if you change your mind during or after the study?**

You are free to withdraw from the study at any time without explanation. As your involvement is voluntary, there will be no consequences if you decide not to participate at any stage of this study.

### **How will the results of the study be published?**

The findings from this study will be published in the PhD thesis and disseminated in conferences and journal publications.

### **What if you have questions about this study?**

If you have any questions about this research, please contact Rachel Taylor:

[RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au) or by calling Rachel directly on 0421 753 866. Alternatively, you are welcome to contact the other researchers in the team:

- Ann Torugsa: [Nuttaneeya.Torugsa@utas.edu.au](mailto:Nuttaneeya.Torugsa@utas.edu.au) | (03) 6226 7383
- Anthony Arundel: [Anthony.Arundel@utas.edu.au](mailto:Anthony.Arundel@utas.edu.au) | (03) 6226 7357

This study has been approved by the Tasmanian Social Sciences Human Research Ethics Committee (HREC), in which the HREC project number is H0015189. If you have any concerns of an ethical nature or complaints about the manner in which this study is conducted, please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email [human.ethics@utas.edu.au](mailto:human.ethics@utas.edu.au). The Executive Officer is the person nominated to receive complaints from research participants.

Thank you for taking the time to read this introductory letter. If you are willing to participate in this study, please complete the attached survey form and return it to us within 14 days using the reply-paid envelope provided.

Yours sincerely,



Rachel Taylor  
PhD Candidate  
Australian Innovation Research Centre (AIRC)  
Tasmanian School of Business and Economics (TSBE)  
University of Tasmania

## Appendix 11: Cover Letter to NPOs - Phase 2



UNIVERSITY of  
TASMANIA

AIRC

Australian Innovation  
Research Centre

TASMANIAN SCHOOL OF  
BUSINESS AND ECONOMICS

[CEO Name]  
[Organisation]  
[Address]  
[Suburb/Town, Postcode, State]

7<sup>th</sup> March 2017

Dear

My name is Rachel Taylor and I am a PhD student at the Australian Innovation Research Centre (AIRC) at the University of Tasmania. I would like to invite you to participate in my PhD research project exploring **Social Innovation in the Australian Disability Sector**. This project aims to discover the practices and methods used by disability service providers as they create new services and processes that not only enhance organisational performance, but also significantly transform the lives of people with disabilities and make our communities more inclusive, accessible and just.

Your participation in this project is extremely important. The outcomes of the research will help turn social innovation from a buzz-word into a real-world process, enabling managers and their staff to learn about effective strategies to enhance what they do, and increasing the capacity of organisations in the sector to be boundary-pushing and transformative. Summary information on these outcomes will be made available to you at the completion of the project.

Your participation, which is entirely voluntary, involves completing the enclosed survey and returning it to me using the reply-paid envelope provided. I understand that your time is very valuable; however, I would be very grateful if you could take a moment to fill out this important survey. The survey should only take about 15 minutes to complete.

I wish to emphasise there are no 'correct' answers and no sensitive questions asked. Social innovation is complex, and therefore it is important that your survey responses highlight any difficult aspects of this process, as well as the successful aspects. Please be assured that the data collected will be held in strict confidence, and any information you provide will not be made publicly available in any form that enables you or your organisation to be identified.

Thank you very much for your time and I look forward to your support. If you have any questions or concerns, please feel free to contact me via email: [RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au) or by calling me directly on

Yours sincerely,

Rachel Taylor  
Australian Innovation Research Centre (AIRC)  
University of Tasmania



UNIVERSITY of  
TASMANIA

AIRC  
Australian Innovation  
Research Centre

TASMANIAN SCHOOL OF  
BUSINESS AND ECONOMICS

# Social Innovation in the Australian Disability Sector

Australian Innovation Research Centre (AIRC)  
Tasmanian School of Business and Economics (TSBE)  
University of Tasmania

## **Purpose:**

This research will support non-profit organisations in the Australian disability sector to develop and implement social innovations. At the completion of this research project, all survey respondents will receive a summary of the results. This will include information about which organisational strategies are most effective for developing social innovations in disability organisations. The findings will also highlight the impacts of social innovation in terms of organisational performance as well as social impacts in the broader community.

## **Confidentiality:**

All information collected by this survey will be kept strictly confidential. No information allowing yourself or your organisation to be identified will be released to any organisation or person. Only aggregated, anonymous information will be reported. Results will be held in a secure database at the AIRC/TSBE until no longer needed, at which time they will be destroyed.

## **Survey Accessibility:**

Accessible survey options are available. Please contact Rachel Taylor on xxx or via email:

[RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au)

This study has been approved by the Tasmanian Social Sciences Human Research Ethics Committee (HREC), in which the HREC project number is **H0015189**. If you have any concerns of an ethical nature or complaints about the manner in which this study is conducted, please contact the Executive Officer of the HREC (Tasmania) Network on (03) 6226 7479 or email [human.ethics@utas.edu.au](mailto:human.ethics@utas.edu.au).

## A: General information about your organisation:

Please read the following definition of ‘your organisation’:

**‘Your organisation’** is defined as *the non-profit organisation operating in Australia that works with people who live with disability or mental health issues or are Deaf or hard of hearing, and for which you currently hold managerial responsibility.*

For simplicity, this survey uses ‘your organisation’ to refer to the organisation defined above.

Please read the following definition of ‘clients’:

**‘Clients’** is defined as *individuals who live with disability or mental health issues or are Deaf or hard of hearing, and who participate in programs or access support services provided by your organisation.*

For simplicity, this survey uses ‘clients’ to refer to the individuals defined above.

### A1. Approximately how many clients receive services from your organisation on a weekly basis?

Number of clients: \_\_\_\_\_

### A2. What types of clients access your organisation’s services on a weekly basis?

Please select **one or more** of the following:

|                                        |                          |
|----------------------------------------|--------------------------|
| People with an intellectual disability | <input type="checkbox"/> |
| People with a physical disability      | <input type="checkbox"/> |
| People with a sensory disability       | <input type="checkbox"/> |
| People with mental health issues       | <input type="checkbox"/> |
| Other                                  | <input type="checkbox"/> |

If you selected “Other” please describe:

### A3. Approximately what percentage of your organisation’s clients do you estimate will receive services through NDIS funding by 30th June 2017?

Percentage of clients: \_\_\_\_\_ %

#### **A4. Where are your organisation's services provided?**

Please choose **one or more** of the following:

|                                 |                          |
|---------------------------------|--------------------------|
| In metropolitan areas           | <input type="checkbox"/> |
| In regional and/or remote areas | <input type="checkbox"/> |
| Australia-wide                  | <input type="checkbox"/> |

#### **A5. What was the approximate overall headcount of staff working at your organisation as at 28th February 2017?**

|                              |
|------------------------------|
| Total number of staff: _____ |
|------------------------------|

#### **A6. What was the approximate number of Full Time Equivalent (FTE) staff at your organisation as at 28th February 2017?**

|                            |
|----------------------------|
| Number of FTE staff: _____ |
|----------------------------|

#### **A7. To the best of your knowledge, what percentage of your organisation's staff live with disability or mental health issues or are Deaf or hard of hearing?**

Please choose **one** of the following:

|                      |                          |
|----------------------|--------------------------|
| None                 | <input type="checkbox"/> |
| Less than 10%        | <input type="checkbox"/> |
| 10% to less than 25% | <input type="checkbox"/> |
| 25% to less than 50% | <input type="checkbox"/> |
| 50% to less than 75% | <input type="checkbox"/> |
| 75% or more          | <input type="checkbox"/> |
| Not sure             | <input type="checkbox"/> |

2/2

## A8. How would you describe your organisation and its attitude towards change?

Please choose the appropriate response for each item:

|                                                                                                        | Strongly disagree        | Disagree                 | Neither agree / disagree | Agree                    | Strongly agree           |
|--------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| We often take risks when working towards social transformation                                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We typically wait for the policy environment to stabilise before developing new services and processes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We are always careful, considered and dependable                                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We are good at seizing immediate opportunities and running with them                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We learn from mistakes and failures in a positive way                                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We give programs time to succeed, even if that means extending out their timeframes                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

## A9. How would you describe the key focus of leadership in your organisation?

Please choose the appropriate response for each item:

|                                                                                                                               | Strongly disagree        | Disagree                 | Neither agree / disagree | Agree                    | Strongly agree           |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Encouraging a high degree of experimentation, autonomy, and 'creative license' for staff to problem-solve                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Providing clear roles and policies for staff to adhere to, and placing an emphasis on efficiency and performance              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Enabling interactions between working groups to make sure different parts of the organisation work together in effective ways | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| A focus on all three above functions, as leadership in our organisation is multi-functional                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |



## B. Social innovation in your organisation

Please read the following definition of a social innovation.

A social innovation is a new or substantially improved service or process to address a social problem that is more effective, efficient or just than existing solutions, and for which the value created accrues primarily to society as a whole rather than private individuals.

Please note:

1. The social innovation need only be new for your organisation. It may have already been in use by other organisations.
2. A social innovation must have been implemented in the last two years (since 1st March 2015).

B1. Based on the above definition of social innovation, how do you rate your understanding of social innovation?

|                             |                           |                            |                          |                          |
|-----------------------------|---------------------------|----------------------------|--------------------------|--------------------------|
| Minimal or no understanding | <----- ----- ----- -----> | Full / clear understanding |                          |                          |
| <input type="checkbox"/>    | <input type="checkbox"/>  | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |

B2. Based on the above definition of social innovation, how do you rate your organisation's capacity for social innovation?

|                          |                           |                          |                          |                          |
|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|
| Minimal or no capacity   | <----- ----- ----- -----> | High capacity            |                          |                          |
| <input type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**B3. In the previous 2 years (since 1st March 2015), did your organisation implement any new or substantially improved SERVICES, and if so, what was their significance?**

**Examples of new or substantially improved SERVICES include:**

- *A new or improved program that serves a particular client group or community purpose*
- *A new or improved tool or resource for clients, families or the community to use*
- *A pilot project initiated or co-developed by your organisation*

Please choose the appropriate response for each item:

*By significance, think of the service's expected level of impact in terms of enhanced responsiveness and inclusion:*

|                                                                                                                      | No                       | Yes:<br>LOW<br>significance | Yes:<br>MEDIUM<br>significance | Yes:<br>HIGH<br>significance |
|----------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|--------------------------------|------------------------------|
| (a) A new or substantially improved service to increase positive outcomes for our organisation's clients             | <input type="checkbox"/> | <input type="checkbox"/>    | <input type="checkbox"/>       | <input type="checkbox"/>     |
| (b) A new or substantially improved service to improve our organisation's financial or organisational capacity       | <input type="checkbox"/> | <input type="checkbox"/>    | <input type="checkbox"/>       | <input type="checkbox"/>     |
| (c) A new or substantially improved service to promote the broader community's inclusion of people with disabilities | <input type="checkbox"/> | <input type="checkbox"/>    | <input type="checkbox"/>       | <input type="checkbox"/>     |

**If 'No' to all three of the above in B3 → Go to B5 (on next page)**

**B4. To the best of your knowledge, was your organisation the first in the Australian disability sector to implement any of these services?**

Please choose **one** of the following:

|          |                          |
|----------|--------------------------|
| Yes      | <input type="checkbox"/> |
| No       | <input type="checkbox"/> |
| Not sure | <input type="checkbox"/> |

**B5. In the previous 2 years (since 1st March 2015), did your organisation implement any new or substantially improved PROCESSES, and if so, what was their significance?**

**Examples of new or substantially improved PROCESSES include:**

- *A newly developed approach for staff to use when working with clients and their families*
- *A new or enhanced administrative tool or system to manage the internal and/or external functions of the organisation*
- *A new or enhanced way of working with the broader community in response to disability-related issues*

Please choose the appropriate response for each item:

*By significance, think of the process’s expected level of impact in terms of enhanced responsiveness and inclusion:*

|                                                                                                                      | No                       | Yes:<br>LOW<br>significance | Yes:<br>MEDIUM<br>significance | Yes:<br>HIGH<br>significance |
|----------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|--------------------------------|------------------------------|
| (a) A new or substantially improved process to increase positive outcomes for our organisation’s clients             | <input type="checkbox"/> | <input type="checkbox"/>    | <input type="checkbox"/>       | <input type="checkbox"/>     |
| (b) A new or substantially improved process to improve our organisation’s financial or organisational capacity       | <input type="checkbox"/> | <input type="checkbox"/>    | <input type="checkbox"/>       | <input type="checkbox"/>     |
| (c) A new or substantially improved process to promote the broader community’s inclusion of people with disabilities | <input type="checkbox"/> | <input type="checkbox"/>    | <input type="checkbox"/>       | <input type="checkbox"/>     |

**If ‘No’ to all of the above in B3 and B5 → Go to E1 (on page 13)**

# C: Developing and implementing social innovations

## C1. In the previous two years, did your organisation have formal mechanisms to develop, sustain, and evaluate collaborations with external partners?

**Collaborations** are defined as:  
Projects jointly implemented by non-profit organisations and external organisations or businesses, and involving shared investment in resources and knowledge.

Please choose **one** of the following:

|          |                          |
|----------|--------------------------|
| Yes      | <input type="checkbox"/> |
| No       | <input type="checkbox"/> |
| Not sure | <input type="checkbox"/> |

## C2. In the previous two years, how often did your organisation actively seek collaboration opportunities with the following external organisations:

Please choose the appropriate response for each item:

|                                         | Never                    | Rarely                   | Sometimes                | Often                    | Always                   |
|-----------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Other disability service providers      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Local government councils               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other government departments / agencies | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Businesses                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Research institutes or universities     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you selected “Other” please describe:

**C3. In the previous two years, approximately what percentage of new program development at your organisation was done in collaboration with external organisations, compared to program development done on your own?**

|                                                                      |              |
|----------------------------------------------------------------------|--------------|
| Percentage of work done via collaboration with outside organisations | _____ %      |
| Percentage of work done on our own                                   | _____ %      |
| <b>Total percentage:</b>                                             | <b>100 %</b> |

**C4. Please rate your level of agreement with the following statements about how your organisation uses external resources or strategies to innovate:**

Please choose the appropriate response for each item:

|                                                                                                                                                                                                               | Never                    | Rarely                   | Sometimes                | Often                    | Always                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Our staff actively search for external sources of knowledge (e.g. through discussions with other organisations, attending conferences etc.) that are useful for our organisation's innovative activities      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| When our staff gain new knowledge from external sources, they are actively encouraged to share this new information internally                                                                                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We retain membership with peak bodies, such as National Disability Services (NDS) and/or the relevant national or state Council of Social Services (COSS)                                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We work closely with other organisations, both within and beyond the disability sector, to learn and collaborate on new service delivery models that would be difficult (or even impossible) to do on our own | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We implement programs that are adapted to the distinctive local characteristics of the regions/localities where we work                                                                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We work with clients to challenge entrenched forms of exclusion or discrimination by transforming community spaces into accessible and inclusive spaces                                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Our organisation accesses networks of diverse organisations and stakeholders to jointly develop solutions to disability-related issues at a systemic level                                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**C5. Please rate your level of agreement with the following statements about your organisation's mission, values, and internal work culture:**

Please choose the appropriate response for each item:

|                                                                                                                                                                                            | <b>Strongly disagree</b> | <b>Disagree</b>          | <b>Neither agree / disagree</b> | <b>Agree</b>             | <b>Strongly agree</b>    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|
| Our organisation values diversity in the workplace and maintains a staff base with diverse skillsets, knowledge, and experience                                                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |
| Rather than pay 'lip service' to our organisation's values, our staff live by the values                                                                                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |
| Our organisation prides itself on working in humble ways in service to an important cause                                                                                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |
| At staff meetings, managers and staff can put forward critical views and have frank conversations about what is working or not working                                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |
| Our staff are deeply committed to working in accordance with progressive values that are shared by our clients and that align with a disability and human rights framework                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |
| In pursuing our organisational mission, we are sometimes bold and outspoken and may even be provocative towards external stakeholders                                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |
| Our organisation is flexible when tackling social issues, for example, using both disruptive or subtle approaches, and by adopting both long-range and short-term (opportunistic) planning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>        | <input type="checkbox"/> | <input type="checkbox"/> |

**C6. Please rate your level of agreement with the following statements about client engagement at your organisation in the last two years:**

Please choose the appropriate response for each item:

|                                                                                                                                                                          | Never                    | Rarely                   | Sometimes                | Often                    | Always                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Our organisation finds out about each individual client’s capabilities, knowledge, and aspirations to work out the best ways to provide services                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Our organisation uses formal mechanisms to engage clients in designing new services and initiatives                                                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Our clients initiate and lead their own projects (with assistance, when needed, from our organisation)                                                                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We provide opportunities and outlets for people with disabilities to be creative, express who they are, and to openly tell their own stories of significance and meaning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| We open up access to inclusive and supportive spaces in our clients’ local communities so they can actively participate in community life                                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**C7. Briefly provide an illustrative example of how your organisation has engaged with clients in the design and implementation of a socially innovative project during the previous two years.**

This question is **optional**. Please write your comments here:

## D: Outcomes of social innovation

### D1. What are the effects of social innovations implemented by your organisation during the previous two years?

Please choose the appropriate response for each item:

|                                                                                                                                           | Negative effect          | No effect                | Minor positive effect    | Major positive effect    | Not applicable           |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Increased quality of services                                                                                                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Increased client satisfaction with services provided                                                                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Increased efficiency in direct service provision                                                                                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Increased efficiency in back-office administrative and organisational processes                                                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Increased revenue from service provision                                                                                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Increased opportunities for clients to make a direct and positive impact in their community                                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| More inclusive and accessible organisations and spaces in communities, ensuring full rights and participation of people with disabilities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Enactment of a broader disability and human rights movement, leading to social transformation across different levels of society          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| New synergies and active relationships that cross sectors, localities, or jurisdictional boundaries                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other                                                                                                                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you selected “Other” please describe:

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## E: Obstacles to developing social innovations

**E1. In the previous two years, how important were the following factors in preventing or delaying your organisation's efforts to develop or introduce new or substantially improved services or processes?**

Please choose the appropriate response for each item:

|                                                                       | Low                      | Medium                   | High                     | Not relevant             |
|-----------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Lack of skills or expertise                                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of sufficient funds                                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lack of time                                                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| High or unanticipated risks                                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resistance from the board of management                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resistance from staff                                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resistance from clients                                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resistance from families and/or carers                                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Inflexibility within the legislative or funding environment           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Barriers within societal contexts, e.g. stigma in the wider community | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other                                                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you selected "Other" please describe:

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**F: General information about you:**

**F1. What is your current role title?**

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**F2. How long have you been in your current position?**

Please choose **one** of the following:

|                               |                          |
|-------------------------------|--------------------------|
| Less than 6 months            | <input type="checkbox"/> |
| 6 months to less than 2 years | <input type="checkbox"/> |
| 2 years to less than 5 years  | <input type="checkbox"/> |
| 5 years to less than 10 years | <input type="checkbox"/> |
| 10 years or more              | <input type="checkbox"/> |

**F3. How many years of experience have you had in the disability sector?**

Please choose **one** of the following:

|                                |                          |
|--------------------------------|--------------------------|
| Less than 1 year               | <input type="checkbox"/> |
| 1 year to less than 2 years    | <input type="checkbox"/> |
| 2 years to less than 5 years   | <input type="checkbox"/> |
| 5 years to less than 15 years  | <input type="checkbox"/> |
| 15 years to less than 25 years | <input type="checkbox"/> |
| 25 years or more               | <input type="checkbox"/> |

**G: Comments**

**G1. Do you have any comments relating to social innovation in your organisation?**

Please write your comments below; or alternatively, if you would prefer to discuss this topic over the phone instead, please provide your phone number and the project’s PhD researcher, Rachel Taylor, will call you.

Your phone number: \_\_\_\_\_

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**G2. Please provide comments on any difficulties you had providing the requested information or suggestions for improving this survey.**

Please write your comments here:

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**Your submission of the survey implies your consent for the information you have provided to be used in this research project.**

**Thank you for taking the time to complete this survey!**

For more information, please contact Rachel Taylor

Phone:

Email: [RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au)

## Appendix 13: Reminder Letter for Survey - Phase 2



UNIVERSITY *of*  
TASMANIA

AIRC

Australian Innovation  
Research Centre

TASMANIAN SCHOOL OF  
BUSINESS AND ECONOMICS

[CEO Name]  
[Organisation]  
[Address]  
[Suburb/Town, Postcode, State]

5<sup>th</sup> April 2017

Dear «CEO\_First\_Name»

A month ago you were sent a survey which requested your participation in my PhD research project exploring **Social Innovation in the Australian Disability Sector**. My project aims to discover the practices and methods used by disability service providers as they create new services and processes that not only enhance organisational performance, but also transform the lives of people with disabilities and make our communities more inclusive, accessible and just.

I am writing to remind you to please take a moment to consider participating in my research project, as it is thanks to the generous contribution of CEOs and managers across the sector that this research will be able to gain an accurate picture of how and why social innovation is occurring – in organisations large and small, and in diverse contexts around Australia.

Your participation, which is entirely voluntary, involves completing the enclosed survey and returning it to me using the reply-paid envelope provided. I understand that your time is very valuable; however, I would be very grateful if you could take a moment to fill out this important survey. The survey should only take about 15 minutes to complete.

I wish to emphasise there are no ‘correct’ answers and no sensitive questions asked. Social innovation is complex, and therefore it is important that your survey responses highlight any difficult aspects of this process, as well as the successful aspects. Please be assured that the data collected will be held in strict confidence, and any information you provide will not be made publicly available in any form that enables you or your organisation to be identified. Summary information on the research findings will be made available to you at the completion of the project.

Thank you very much for your time and I look forward to your support. If you have any questions or concerns, please feel free to contact me via email: [RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au) or by calling me directly on .

Yours sincerely,

Rachel Taylor  
University of Tasmania

## Appendix 14: Interview Schedule for CEO Follow-Up Interviews - Phase 2

### Interview Schedule\* for CEO Follow-Up Interviews

1. What does social innovation mean to you / your organisation? What exactly does it “look like” and how do you achieve it?
2. In your opinion, how critical is a deep commitment from leadership for social innovation to succeed – and what exactly does a leader do if they want to successfully foster social innovation?
3. In your organisation, how important is the role of leadership for providing clear roles and policies for staff to adhere to – so, leadership that puts an emphasis on efficiency and performance?
4. How do you encourage your staff (and/or volunteers) to be creative and to develop new solutions? Do they usually do this on their own, or do they work collaboratively (with other volunteers, or other organisations/experts) to come up with their unique and innovative designs?
5. What potentially stifles your staff/managers’ ability to be creative?
6. Do you consider “leadership” for social innovation to be something that happens at the top level only, or is leadership across all levels important?
7. In what ways do the clients at your organisation impact on your capacity to be socially innovative? Do they play a direct role in designing new services? How does this actually happen/take place?
8. In your experience, what makes it so difficult to achieve systems-level change as an organisation? And how have you developed approaches and ways of operating to overcome these challenges?
9. How do barriers in the broader society impact on your organisation’s capacity to innovate? What kinds of barriers are in the wider community that restrict what your organisation is able to achieve?
10. What kinds of risks do you think impact on your organisation’s innovation capacity?
11. In your organisation, do you think “risk” is generally seen as something to be avoided, or is “risk” or “risk management” seen as an important and positive part of decision making? How do you feel this perception of risk has an impact in terms of the day to day running of your organisation?
12. For those indicating that the majority of new service development is done in-house/on your own: Why does your organisation prefer to do this on its own rather than in collaboration?
13. How do external partnerships affect your organisation’s capacity to be innovative?
14. In what ways does your organisation demonstrate its capacity to be bold, outspoken, and even provocative towards external stakeholders?
15. In your opinion, what is the most important reason for embarking on innovative change? e.g. what is the underlying driver that pushes you/your organisation to develop social innovations?
16. Do you think external or internal forces are most critical in propelling the development of social innovations at your organisation? Or is it a blend of both?
17. You indicated in your survey that you think it’s important to give new programs and processes time to succeed, even if it means having long timeframes. How important is this notion that this kind of change needs time for it to be truly influential / meaningful?

\*Questions to be tailored depending on the particular CEO respondent and the factors most relevant to their organisational context; also specific questions will be generated based on qualitative responses provided in the survey.

# How can service providers break down barriers for people with disability?

A summary of research by Rachel Taylor

**Easy Read version**

## How to use this document



My name is Rachel Taylor.

I'm a researcher from the University of Tasmania.



This Easy Read document is a summary of my research.



This information is written in an easy to read way. I use pictures to explain some ideas.



You can ask for help to read this document. A friend, family member or support person may be able to help you.

## What is my research about?



I used to work in the disability sector.



I wanted to find out how disability service providers can make our community **inclusive** – people with disability can more easily take part.

To find out how service providers can break down barriers, I researched:



- what service providers need to do



- how service providers can make a big difference.



## Who took part in my research?



I spent 2 months getting to know and talking with people at 2 disability service providers

At these organisations I interviewed 52 people, including:



- clients



- managers



- service co-ordinators



- support workers.



Then I sent a survey to organisations in the Australian disability sector.



308 disability service providers took part in my survey.



From these providers, I interviewed 14 Chief Executive Officers.

## What my research found

### What can service providers do?

I found 5 things service providers can do that make a difference:



#### 1. Think about how people with disability feel.

Service providers need to:



- build close relationships with clients and their families



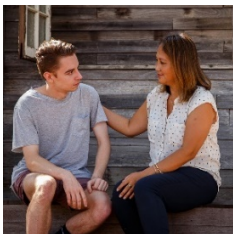
- listen to people's ideas and use them when they are planning new services.



## 2. Connect people with communities



Service providers need to help people with disability take part in their local communities.



We can break down the barriers that people with disability face and make a big difference.



## 3. Learn from diversity


Service providers need to learn from:



- working with lots of different people



- other service providers.



Service providers need to include people from different backgrounds as part of their:



- staff



- management teams.

This includes people:



- with physical disability



- with mental health issues



- from different cultures.



#### 4. Be flexible and try new things

Service providers need to:



- be open to change



- act quickly when new opportunities come up.



- keep working towards goals that might take a long time to achieve.





## 5. Find a balance of creativity and structure

Leaders need to help their staff find a balance between:



- creativity – trying new ways of doing things



- structure – making sure everyone knows what they need to do.

## How can service providers make the biggest difference?

I found that most service providers try to find new ways to be more:



- effective – getting good results



- efficient – doing more with what they have.



To make important changes to our society, providers need to find new ways to include people with disability.




I found that only 1 out of 3 service providers focus on including people with disability when they design new services.



If more service providers do this, it can make a big difference in our society.





It can:



- help break down barriers that people with disability face



- help people know more about the rights of people with disability

**Thank you**

I wish to say thank you to:



- everyone who took part and shared their important ideas with me
- 2 staff at the University of Tasmania:



- Dr Ann Torugsa



- Professor Anthony Arundel.



## Contact me

If you want to find out more, you can email me:



Rachel Taylor

**[RachelJean.Taylor@utas.edu.au](mailto:RachelJean.Taylor@utas.edu.au)**



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